

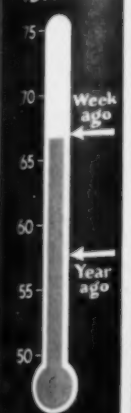
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SEP 23 1935

BUSINESS WEEK

BUSINESS INDICATOR



Charles Phelps Cushing
Underwood & Underwood

FIGHT FOR REPRIEVE—Spearhead of the utilities' offensive against New Deal "state socialism," President Thomas N. McCarter of Edison Electric Institute engages the country's leading legal talent to direct court attacks on the holding company death sentence and TVA.

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*"The new model works great but it's too heavy."
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 G. E.'s ad in Business Week says they have a
 press big enough to do the job now."*

BUSINESS WEEK

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Washington Bulletin

WASHINGTON (By Business Week Staff Correspondents)—After all, Ickes pulled off bigger municipal public works program at \$800 millions than he had any right to expect. He made his first mistake in letting Mayor LaGuardia of New York talk him into raising federal grant from 30% to 45%. Lower figure would have brought in all projects PWA could possibly finance, also keep down cost per man-year which proved his undoing.

As matter of record, neither President nor Hopkins has yet explained why holding down man-year cost is so important when there are only 9 months to go before July 1, date when Roosevelt says all \$4 billions must be spent.

Simple Arithmetic

According to New Deal's own "simple arithmetic," which is just like anybody else's in this instance, fund will employ 3.5 million men for full 12 months at total labor and materials cost of \$1,143 per man-year. But on 9-month basis, same money would either employ 4,666,000 or permit raising per man-year allowable on a project to \$1,524.

Big Jobs Handicap

Congress will nail down more money for widely distributed public works in next work relief appropriation. Administration's trouble is that it is committed to a few big projects which have cost \$200 millions already and will cost \$650 millions more to finish—exclusive of TVA and other natural resource conservation plans to which there is no end.

New Tax Possibilities

Normally nothing is more remote in election year than new tax legislation but these contingencies may force President's hand: elimination of AAA processing taxes by Supreme Court decree; bonus payment; necessity for war preparedness; slump in government bonds. Government 2½s have been selling below par for weeks. If federal credit should begin to show strain, more revenue would be only alternative to inflation.

Bonus Awaits Without

President's sidestepping of bonus by declining to address American Legion convention at St. Louis indicates he thinks it will be enacted anyway. Legion Commander Belgrano predicts passage in January, payments to begin not later than Mar. 1.

Wallace Creates Diversion

At worst Wallace can do no more than get a cease-and-desist order

PENNSYLVANIA SAYS NO

Though Hoover and some other Republican Presidential aspirants orated on Constitution Day, loudest talking was by Pennsylvania voters, who elected a Democratic governor in 1934 but on that day defeated his plan to modernize state constitution along New Deal lines. Such straws affect popular opinion. This one blows against the bigger modernization job planned in Washington.

slapped on packers charged with price-fixing in 1927-32. But plastering old charges on front pages tends to divert some of public outcry against price-rocketing effect of AAA program.

Potato Failure

Lack of funds for potato control law gives Wallace time to get it rewritten on a voluntary basis—if he can't get it killed.

Case for Discipline

Peter Grimm, New Deal's realtor, is getting "ceiling cure" in his attempt to coordinate operations of Administration's various housing agencies. Executives jealous of their prerogatives roll their eyes when Grimm suggests they stop working at cross-purposes. It's a case for discipline by President and Grimm is peeved enough to explain situation to him frankly.

Help for Little Lawyers

Report by American Liberty League's legal experts asserting unconstitutionality of labor relations act gives small-time lawyers ready-made case to take to nearest court.

Battle of Suburbia

Slash in funds for slum housing and rural resettlement puts damper on a merry battle in the suburbs that started when Tugwell moved in from the country to anchor his rural communities to industrial payrolls and Ickes left town to get cheaper land.

But Tugwell is ready to spring an "epoch-making" project as soon as President says word.

Ickes Dodges Courts

It is doubtful whether Ickes will succeed in detouring courts on his municipal power projects but PWA is altering its procedure in hope private companies will not find it so easy to obtain those injunctions which have snarled up program. New method comes down to purchase of bonds by PWA without binding municipality to conditions which have formed basis of allegations that government exceeds constitutional powers.

Reason to Simplify

Corporation lawyers who have been diagnosing 1935 revenue act think they have spotted Administration slip-up in dropping of capital gain tax where formerly payable upon absorption of a subsidiary. They point out that, where parent company's investment is carried at a figure higher than asset value, there is chance for writeups that will permit heavier depreciation deductions from future income tax returns. Fear of revision of statute when Congress meets in January may hurry corporate simplification more than new dividend tax designed for that purpose.

FHA Loan Totals

FHA-insured industrial modernization loans to 514 companies have reached total of \$2,718,000 since limit was raised to \$50,000.

Just a Skirmish

Some business men are talking about federal incorporation plan to counter licensing bill of American Federation of Labor, but this is just skirmishing preliminary to battle on new NRA bill promised by Roosevelt.

Mr. Kennedy Resigns

Wall Street has had lines open to Washington to catch a flash on SEC reorganization, and this week, after repeated denials that he would leave before the first of the year, Mr. Kennedy sent his resignation to Hyde Park. He's going to Europe to deliver one of his large collection of young Kennedys to school.

Dirt Roads Off Dirt

WPA's farm-to-market program, which is running into big money, seems to be getting a little out of hand. Somewhere along the route those dirt roads turn into asphalt and concrete, and money disbursed by Hopkins doesn't reach nearly so far in mileage or employment as represented. In South Carolina, for instance.

On the Air,
as *in* the Air

Showmanship

holds the crowds!

Showmanship of the sort which gave NBC Networks the 1935 Winners in every program classification on a nationwide poll.

Showmanship wins and holds the crowds—in the breathless “delayed opening” parachute jump, or the carefully built radio program. Showmanship delivers the entertainment the whole world wants—thrills, laughter, tears, romance. Without them, there is no entertainment, no audience.

Showmanship has made the programs on NBC Networks the outstanding entertainment of radio since 1926. Day in, day out, sponsored and sustaining programs on NBC attract the greatest air audience in the world—an audience which recently cast 1,250,000 votes to elect six programs and artists as the Radio Winners for 1935. Every winner was a program feature on NBC. Each an outstanding example of the showmanship—of agency, advertiser and NBC—which has kept America's pioneer broadcasting organization pre-eminent.

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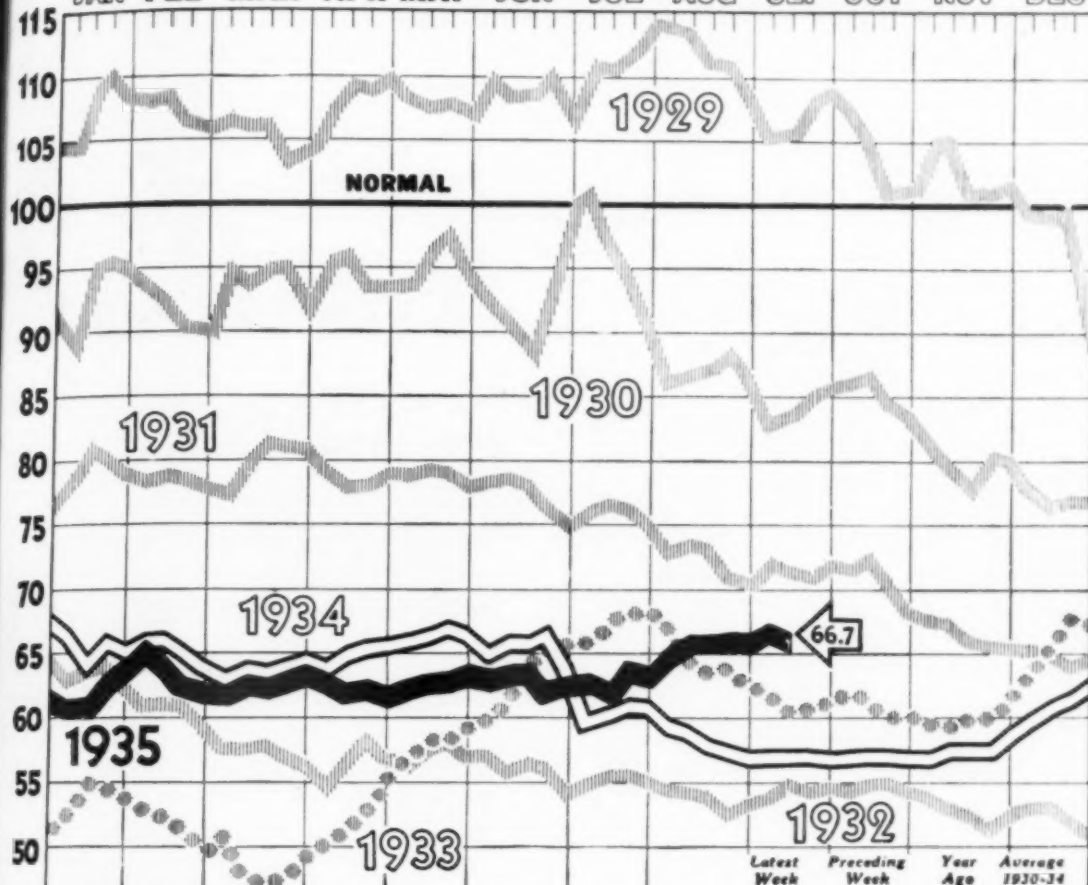
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BUSINESS WEEK (with which is combined The Magazine of Business) September 21, 1935, No. 316. Published weekly by McGraw-Hill Publishing Company, Inc., 330 West 42nd Street, New York, N. Y. James H. McGraw, Chairman of the Board; Malcolm Muir, President; James H. McGraw, Jr., Executive Vice-President; Glenn Grier, Vice-President and Editor; B. R. Putnam, Treasurer; D. C. McGraw, Secretary. \$5.00 per year, in U. S. A. and possessions; \$7.50 or 30 shillings per year in all foreign countries. 20c per copy. Entered as second-class matter February 15, 1930, at the Post Office at New York, N. Y., under the act of March 3, 1879. Printed in U. S. A. Copyright 1935 by McGraw-Hill Publishing Company, Inc. Printed by The Schweitzer Press, N. Y.

WEEKLY INDEX OF BUSINESS ACTIVITY

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| | Latest Week | Preceding Week | Year Ago | Average 1930-34 |
|--|-------------|----------------|----------|-----------------|
| BUSINESS WEEK INDEX | *66.7 | †67.3 | 57.6 | 65.9 |
| PRODUCTION | | | | |
| * Steel Ingot Operation (% of capacity) | 48.3 | 49.7 | 22.3 | 33.3 |
| * Building Contracts (F. W. Dodge, daily av'ge, thousands, 4-week basis) | \$6,231 | \$6,765 | \$4,452 | \$7,159 |
| * Bituminous Coal (daily average, 1,000 tons) | *1,370 | †1,238 | 1,207 | 1,262 |
| * Electric Power (millions K.W.H.) | 1,828 | 1,752 | 1,634 | 1,616 |
| TRADE | | | | |
| Total Carloadings (daily average 1,000 cars) | 113 | 113 | 107 | 121 |
| * Miscellaneous and L.C.L. Carloadings (daily average 1,000 cars) | 70 | 69 | 66 | 78 |
| * Check Payments (outside N. Y. City, millions) | \$3,393 | \$3,414 | \$2,981 | \$3,141 |
| * Money in Circulation (daily average, millions) | \$5,654 | \$5,651 | \$5,427 | \$5,211 |
| PRICES (Average for the Week) | | | | |
| Wheat (No. 2, hard winter, Kansas City, bu.) | \$1.13 | \$1.12 | \$1.09 | \$1.07 |
| Cotton (middling, New York, lb.) | \$1.08 | \$1.08 | \$1.30 | \$0.95 |
| Iron and Steel (STEEL, composite, ton) | \$32.81 | \$32.79 | \$32.14 | \$30.95 |
| Copper (electrolytic, f.o.b. refinery, lb.) | \$0.84 | \$0.83 | \$0.88 | \$0.82 |
| All Commodities (Fisher's Index, 1926 = 100) | 85.1 | 84.5 | 79.9 | 73.2 |
| FINANCE | | | | |
| Federal Reserve Credit Outstanding (daily average, millions) | \$2,454 | \$2,477 | \$2,473 | \$1,871 |
| Loans and Investments, Federal Reserve rep't'g member banks (millions) | \$18,675 | \$18,614 | \$17,778 | \$16,951 |
| * Commercial Loans, Federal Reserve reporting member banks (millions) | \$4,470 | \$4,431 | \$4,693 | \$4,937 |
| Security Loans, Federal Reserve reporting member banks (millions) | \$2,990 | \$2,957 | \$3,162 | \$3,647 |
| Brokers' Loans, Federal Reserve reporting member banks (millions) | \$1,034 | \$985 | \$894 | \$818 |
| Stock Prices (average 100 stocks, Herald Tribune) | \$107.54 | \$107.13 | \$94.11 | \$111.57 |
| Bond Prices (Dow, Jones, average 40 bonds) | \$96.62 | \$96.55 | \$90.62 | \$89.31 |
| Interest Rates—Call loans (daily av'ge, renewal) N. Y. Stock Exchange | 4 1/2% | 4 1/2% | 4 1/2% | 4 1/2% |
| Interest Rates—Prime Commercial Paper (4-6 months) N. Y. City | 4 1/2% | 4 1/2% | 4 1/2% | 4 1/2% |
| Business Failures (Dun and Bradstreet, number) | 195 | 203 | 199 | 370 |

* Factor in Business Week Index * Preliminary † Revised ‡ 1932-34 average.

AT HOME IN A SUBMARINE



...at home in your power plant

YOU expect to find Diesels in the slim length of a submarine . . . for *without* Diesels under-surface craft could not exist. The compactness of the engine itself . . . its sparing use of clean, easily handled, non-bulky fuel . . . these characteristics of the Diesel made the submarine possible.

But now these same Diesel advantages are enjoyed in thousands of other services. In mill, factory, mine, office building . . . on stationary or mobile equipment . . . Diesels are furnishing electrical or mechanical energy with startling savings. Often these savings are as much as fifty per cent.

Because Diesels do the work of developing drive or generated power so economically, thousands of industrial plants report how they have slashed purchased power costs—how they have paid for themselves and run up sizable operating profits in an amazingly short time.

Nearly three million horsepower of F-M Diesels are in service today, in units as low as 10 hp. and in a graduated line of engines developed to meet the power needs of every service from an isolated irrigation pump to lighting a large city.

Whatever your power requirements may be . . . whatever the rate is that you are paying . . . whatever the condition of your privately-owned plant, F-M Diesels may be able to cut your costs still more. Why not investigate and get the facts?

GET THIS INTERESTING BOOKLET

An interesting booklet "Diesels and Profits," describing the economy phases of Diesel operation, will gladly be mailed on application. Just address Fairbanks, Morse & Co., 900 S. Wabash Ave., Chicago, Ill. Offices in principal cities of the United States and in the seaports of the world.



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The Business Outlook

BUSINESS hit an air pocket in mid-September. Motor production dwindled to a few thousand cars as the change-over hour to 1936 lines approached. Steel activity, closely attuned to incoming orders, felt the slack in motors and slowed down a bit. Check transactions in 140 centers slid off a trifle instead of expanding. Even heavy construction awards were smaller than in preceding weeks. Government bond prices softened.

But these jolts are temporary. The business machine is set for high flying, as current developments show.

Gains Made and in the Making

Steel operators are watching the exceptional strength in pig iron markets. Automobile dealers are being called to Detroit for "pep" talks prior to the introduction of new models. Sales quotas have been pushed up. Carloadings are reaching new peaks for 1935. Lumber production holds well above last year. Coal production is on the up, stimulated in part by new strike threats despite passage of the Guffey act.

Including Price Increases

Copper prices jumped to 9c. again; zinc consumers faced a \$3 a ton boost this week. Lead, too, joined the parade of increases. Silk, cotton, and wheat prices rose. Moody's index of 15 sensitive commodities soared to new high levels since the depression.

Machine Tool Barometer

Further augury of favorable events, machine tool orders for August bettered the remarkable record of July by climbing to 125.8% of the 1926 average. This is the second month of 1935 to hit the best level for any month since 1929. It puts machine tool orders to date 84% ahead of the same period of 1934. Despite the proximity of the Machine Tool Exposition, domestic orders were only slightly below those of July. The boost that put August orders ahead of July came from foreign sources. They accounted for 37% of total volume.

Steel Watches Detroit

As soon as Detroit gets the usual kinks out of the new model assembly line, the flow of orders to steel mills should lift operations above the current 48%-of-capacity mark. Tin plate production now shows a seasonal decline; wire mills are stepping up output, largely in response to farm demand. Twenty-three naval vessels recently awarded will require some 40,000 tons. A few railroad orders are coming in, including one from Russia for 7,000 car axles.

PREPAREDNESS FUND

Big Steel's battle for business will be fought with modernization. Some \$70 millions are now being spent to bring U. S. Steel's equipment up to fighting strength. This will be doubled shortly. Pittsburgh is again destined to become the steel capital.

Oldtime Iron Order

Fearing price increases in pig iron as a result of higher coal prices under the Guffey act régime, consumers are stocking up supplies for future requirements. A 10,000-ton order reported last week from a textile machinery firm nearly bowled over Eastern markets, which have not seen an order of this size from such a source in years. Ability of coastal consumers to glean occasional bargains in foreign irons has militated against large orders. Sanitary ware manufacturers have been good buyers of pig iron as a result of residential construction and modernization activity.

Motors Due to Hustle

Automobile assemblies during the week of Sept. 14 dropped to a mere 13,470 cars, with prospects that the next report will be even smaller. Buick and Olds plants are stepping up production on 1936 models, but their contribution to total output is still small. October should see factories doing some fast work in order to have display cars available in 5 cities by Nov. 2, and in the hands of dealers throughout the country.

Labor Scores "Error"

Charges launched by A. F. of L. unions against 2 of General Motors units were withdrawn as being filed in "error." Apparently these cases were not strong enough to withstand scrutiny of the National Labor Relations Board, which is out for interstate cases only.

Car Sales Stay Up

August sales total on new passenger cars promises to be the best since 1929.

Estimates by trade experts now place it at 225,000 units. Truck sales at 50,000 indicate strong replacement demand from business sources. Chevrolet truck sales broke all records.

Lumber Prospects

Lumber manufacturers look forward to shipping more than 16.4 billion feet of lumber this year, while holding production slightly below last year's total of 15.9 billion feet. Production of 674 mills in the first 8 months of 1935 was 12% above a year ago, shipments 29% better.

More Coal Rumbblings

Coal continues to be a sore spot. Passage of the Guffey act was thought to be the price of peace in the industry, but rumbblings continue. Miners and operators have again been deadlocked over a new wage and hour agreement. Stocks of bituminous in hands of industries and retailers at the close of August were sufficient for 51 days. Tonnage on hand is 27% greater than last year.

California Oil Leak

Nor has California managed to bottle up excessive oil production. Attempts to get 95% of the industry to agree on curtailment failed, though enough support to bring agreement up to the respectable figure of 82.5% was achieved. Apparently this was not considered enough. So far, the price situation is better than most anticipated, but approach of cold weather with decreasing gasoline consumption keeps the industry nervous.

Textile Gains Vary

Cotton consumption by domestic mills made the second consecutive monthly rise above the June low, but the slow revival left August below last year. Pepperell Manufacturing is pondering the anomaly of making the largest sales in its history for the year ending June, 1935, at a loss of over \$400,000. Wool consumption is running at the highest rate since war years. With silk prices rising, rayon producers look forward to even better business than they found in August when yarn shipments equalled the January high.

Insurance Reverses the Trend

Life insurance has been losing popularity this year. Ordinary life sales in August reached the lowest totals for the month since 1922. They were also the lowest for any month this year. First 8 months' sales are barely ahead of 1934. Fire insurance companies are pleased to note the declining trend of fire losses which in August were just over \$18 millions against \$19.6 millions in 1934.

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2/30 24 8/10 ESSKAY PRIME BACON 8/8
9/30 29 8/10 ESSKAY GERMAN LIVERWURST
9/30 29 8/10 ESSKAY STRAIGHT BRAUNWURST
9/30 29 8/10 ESSKAY SMOKED BACON 8/10

THE Schludenberg-Kurdle Company, Baltimore meat packers, installed Teletypewriter Exchange Service in 1932 both at their headquarters and their Richmond, Virginia, sales office. It proved so valuable that the New York and Easton, Md., sales offices were soon connected.

Today, all orders are teletyped between the four points on special printed forms. One typing, in New York, Richmond or Easton, produces an original order form for office records, and simultaneously prints four identical copies in Baltimore. No time is lost in transmitting, copying, checking. Errors and misunderstandings are almost impossible. Each department has its own copy.

Teletypewriter Service is used for inter-office correspondence, as well as orders. . . . The manager of the company's accounting division writes: "It has meant a definite saving in costs . . . neater, more accurate service. We are more than satisfied."

Could you use the speed and accuracy of Bell System "typing-by-wire" in your business? It usually pays for itself in economies effected. Your local Bell telephone company will gladly show you how.



SEPTEMBER 21, 1935

Decisive Battle Begins

Guffey act suit and hiring of Davis, Baker, Beck, and Johnston by utilities are prelude to Supreme Court session testing entire New Deal.

THE country's legal talent is limbering up for a fall term of the Supreme Court that is billed in advance to outdo the spring session with its gold clause and NRA decisions.

First serious pre-season scrimmage was staged in the District of Columbia Supreme Court this week on the brand-new Guffey coal act. In that affair the Department of Justice's rookie, John Dickinson, recently acquired from the Department of Commerce, won a technical decision over Fred H. Wood, veteran of last season's "sick chicken" case that outlawed NRA. The judge indicated he thought Wood, whose name tails Wall Street's resounding Cravath, DeGersdorff, Swain & Wood, was over-anxious in seeking a temporary injunction, and withheld it because the law does not become effective until Nov. 1.

Veteran court observers commented on the speed of Wood's attack. His voluminous papers were filed in printed form within 24 hours after President Roosevelt signed the Guffey act, although within that time it was necessary to hold a directors' and a stockholders' meeting as stagesetting.

Lo, the Four Horsemen!

Last week also saw the first move of one of the Edison Electric Institute's four horsemen of the Constitution, Davis, Baker, Beck, and Johnston. One-time Democratic Presidential candidate John W. Davis appeared as party to the Baltimore Federal District Court case in which American States Public Service Co. seeks to test the constitutionality of the new public utilities act, particularly the holding company death sentence provision.

Davis' hand was also seen in the move of Niagara Hudson Power Corp., which staged a carefully patent violation of another section of the new utilities law by cutting off an interstate interconnection between its subsidiary, New York Power & Light, and the New England Power Association. This invites the government to initiate its own test of the law from the enforcement angle, since it is provided that such interruptions of service can be made only with expressed permission of the Federal Power Commission.

Official announcement last week that this legal quartette had been recruited to give the scoring punch to the utility fight on new legislation was first confirmation that the institute would take up the cudgels as a body. The constitutionalists are to act as shock troops supplementing the regular counsel of the individual companies which have good test cases.

They represent a triple-threat combination. Davis' province is the public utilities act of 1935. Former Secretary of War Newton D. Baker will handle cases dealing with PWA's gifts and loans to municipalities for building power plants in competition with existing private facilities. Former Solicitor-General James M. Beck and Forney Johnston, Birmingham veteran of the

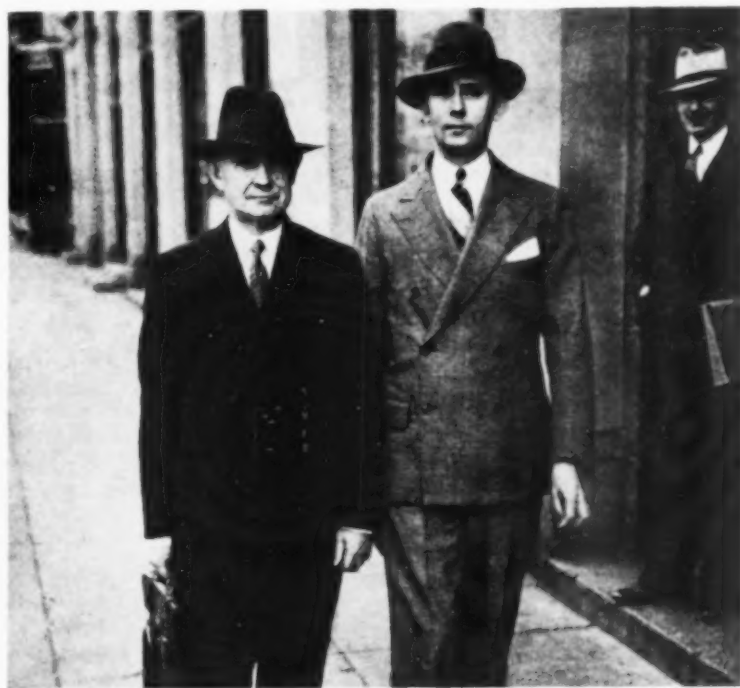
TVA squabble, will attack the sale of electrical power from government dams.

A big season is assured by contests already on the schedule. These include matters ready when the Supreme Court sits on Oct. 7, 2 weeks hence, such as the Hoosac Mills AAA case, Alabama Power's case coming up from the New Orleans Circuit Court of Appeals over TVA's right to sell current to municipalities, the Kansas Utilities Co. attempt to prevent the village of Burlington, Kan., from building a power plant with PWA funds, and the Louisville, Ky., slum clearance case in which the government seeks approval of its right to condemn property for building projects.

New Deal at Stake

Additional contests that may reach the big tribunal if they get through the lesser circuits in time indicate that practically every important piece of New Deal legislation will eventually be up for review.

If the Hoosac decision does not cover all angles of AAA's legal status, there are 1,000 more in the courts on which further Supreme Court test can be made. Likewise on PWA's municipal power



CHALLENGING THE "LITTLE NRA"—Suit to restrain enforcement of the Guffey act was brought by James W. Carter (right), West Virginia coal operator, shown with Attorney Frederick H. Wood on arriving at District of Columbia Supreme Court. The court ruled the plea for a temporary injunction was filed prematurely. The permanent injunction plea will be argued soon.

plant financing, there are 21 other cases if the Kansas one does not suffice. Former Judge Charles I. Dawson, who helped grease the skids for NRA when on the Federal bench in Louisville last year, has filed another Guffey suit in which 16 Kentucky mine operators are joining in a constitutional challenge of the law, notwithstanding the declaration of truce by the National Coal Association to give the little NRA a trial.

Deposit Insurance Suit

Suit against the new deposit insurance section of the banking act was started in New York last week. Whether or not AAA gets through its processing tax suits, it will still face tests on the Bankhead cotton control act and the Kerr-Smith tobacco control act. Its administrators want someone to get the Warren potato act thrown out before they have to try enforcing it. P. R. Chandler, New York lawyer and Genesee Valley, N. Y., farmer by avocation, is inviting prosecution under the law by advertising for sale strictly illegal potatoes. The new Frazier-Lemke farm mortgage moratorium law may be reheard on the same Louisville Federal Land Bank case that led to collapse of the original statute last spring. Two new angles of the gold clause are in the lower courts.

The Wagner labor disputes law and the rewritten railroad retirement law will unquestionably come up in time and the social security act will be involved in the several taxing power cases, if not directly contested.

Will Affect Campaign

Friends and foes of the New Deal are thus joyfully rushing to the Supreme Court for showdowns. Constitutional authorities say the session cannot fail to set profound new precedents. Both political parties anticipate campaign ammunition from the outcome. Included in Democratic strategy is the possibility that reversals on the AAA, Wagner, and Guffey laws will ally farmers and labor in a constitutional amendment fight. Republicans hope for condemnation of the New Deal without such a backlash.

Shades of John Marshall, whose hoary decisions did much to make the court supreme, and of Andrew Jackson with his "let the court enforce its laws" will haunt the deliberations of the 9 august jurists. President Roosevelt has expressed the hope that the constitutional limits within which the government operates will be settled.

The extent of the power of Congress to tax under the general welfare clause, debated for 146 years but never directly passed upon by the court, is considered certain to get definition. It is outstanding in the PWA, TVA, slum clearance, and FDIC cases. Taxing for regulation, refuge of the New Deal when other control devices failed, is at issue in AAA, the Guffey law, the tobacco, cotton and potato control cases, the

FDIC suit. It is a stumbling block for social security and railroad pensions.

The interstate commerce clause on which NRA fell is involved in the utility cases, the Wagner, Guffey and Hoo-sac issues; as is the delegation of authority question. The due process clause comes up in AAA, Guffey and Frazier-Lemke cases.

Wallop for Taxes

New Jersey primary shows sales tax is unpopular, and California chain tax evokes big opposition.

POPULAR opposition to new taxes has surged up in 2 states at opposite ends of the country—New Jersey, where the sales tax suffered an indirect defeat in the primary election this week, and California, where the new retail store license act is under fire.

Signed by Governor Merriam on July 20 and due to become effective Sept. 16, California's act was aimed at chain stores, as it provided only a \$2 annual fee for single stores, but pushed the ante up in rapid stages so that the tenth store and all above that owned by one concern would pay \$500 a year.

One Tax—\$633,000

For instance, Safeway Stores, 1,275 of whose 3,021 stores are in California, was due to pay \$633,000 a year. Nationally operating chains such as Woolworth, Penney, A.&P., United Cigar, Western Auto Supply, and Montgomery Ward would have to pay out from \$20,000 to \$57,000 each. Over \$1.1 millions was to come out of the pockets of 14 chains.

Statisticians figured that the new tax would push prices of foods and other necessities up from 5% to 10%. A campaign was organized to force a referendum.

135,000 Sign Petition

Last week Frank C. Jordan, California Secretary of State, announced that petitions carrying 135,000 signatures—nearly 20,000 more than needed—were on file, demanding that the act be put to a vote. By this means the act is automatically suspended until an election is held, which may not be until the general election in November, 1936, and meanwhile opponents of the tax propose to campaign for its defeat.

In New Jersey, the 2% sales tax, collected since July 1, provoked great resentment. Despite pressure by retailers and consumer groups, Governor Hoffman signed the bill.

Consumers object particularly to paying the 2% tax on food, smokes, and soda fountain drinks. Prohibitionists are furious, because liquors are exempted on the ground that they already pay special taxes.

According to a retailers' survey in



STALLS IT OFF—When injunction against the Guffey act was asked in Washington, Assistant Attorney General John Dickinson successfully argued that it shouldn't be granted till government is on point of collecting tax.

North Jersey, a 9% drop in sales volume was due to the tax. Assemblyman D. M. McKean, a member of the Princeton University faculty, asserted the loss in retail sales volume in New Jersey would be \$70 millions a year.

In the primary this week, candidates who had pledged themselves to repeal of the tax won in a majority of districts, and although Governor Hoffman has threatened to veto any repeal measure, it is expected to be passed over his veto.

Fair Trade Test

Whiskey dealer enjoined in first attempt to enforce Illinois measure against price-cutting.

ILLINOIS' "fair trade practice act," passed by the last legislature and aimed to prevent price-cutting of patented and trademarked products, is up for its first test. Under its provisions, a liquor seller has been temporarily enjoined from selling Schenley whiskey below the standard price, agreed to between manufacturer and retailers.

The act permits contracts between manufacturers and retailers, regulating retail prices of commodities bearing a trademark, brand, or name of the owner. It is designed to prevent loss-leader sales as a means of attracting trade.

Cleveland to the Rescue

When the Van Sweringen brothers go on the auction block, hometown capital is expected to take them off. It couldn't let them down when the Easterners pulled out—not for 18,000 reasons. After that, it's a matter of O.P.'s powers of persuasion, and of time.

HOMETOWN folks and friends along the Van Sweringen railways, together with well-salaried officers of the roads, are believed to be making up the capital by which the "Vans" hope to buy back their somewhat shopworn \$48,000,000 loan collateral on Sept. 30. The public sale by J. P. Morgan and the other banks of this collateral, put up by the Van Sweringens in 1930 to save themselves after the stock-market collapse, will give its purchasers control both of the Van Sweringen railroads and of their bewildering real estate and transportation interests in Cleveland, so long, at least, as they are able to hold it in negotiation with platoons of other creditors.

Five banks finally decided to sell this collateral for what it would bring after interest on the original loans of \$41,000,000 or so had been defaulted for more than 4 years. The upset price,

according to New York report, is to be the market value of the listed securities and something for the unlisted, an amount variously guessed on either side of \$10,000,000. These securities consist of equities and mortgages once appraised as high as \$150,000,000, or the bulk of the Van Sweringen treasure in its great days.

O. P. Van Sweringen spent the summer going around among Cleveland families which had not previously participated in his operations there, including holders of old Standard Oil and iron ore fortunes, and similarly among important shippers along Van Sweringen railroads whose personal friendship he and the late J. J. Bernet had always cultivated. Allied with him also is the group of railroad executives for whose rise in the last 20 years the Van Sweringen roads have provided the opportunity.

This capital is to be used at the forthcoming auction, there to bid for the securities, possibly against Leonor F. Loree or other people with railroad ambitions. In addition, the new money is to be put up as working capital for adrenalizing the enterprises in anticipation of long-continued negotiations with insurance companies and other bondholders. The new inclination in Cleveland's Tower of Pisa had been observed since May, when the securities formally passed to the control of the lenders, but the announcement of the intended sale came Sept. 12 through a newspaper beat a day earlier than had been intended.

Control for Sale

The packages of collateral to be sold include controlling amounts of Alleghany Corp. and Van Sweringen Corp., 2 of the 4 or 5 central holding companies in the pyramid of Van Sweringen finance. These were put up with the Morgan and other banks for loans to the Vaness Co., the capstone company of the pyramid, and to the Cleveland Terminals Building Co., itself a holding company for the largest single Alleghany interest as well as the owner of the Terminal Tower and other Cleveland office buildings.

The dollars had been borrowed in the first place to pay for the purchase of the Missouri Pacific and several other properties the Van Sweringens acquired in bewitching 1929. Some of these appear in the list of stocks to be auctioned, including the Higbee Co. (large Cleveland department store), stock in Otis Steel and Midland Steel Products (Cleveland manufacturing companies), and stock in a holding company controlling Cleveland's street rail system.

The assembly of the new Cleveland capital this summer partook of the nature of a civic movement, albeit a completely secret one, to save for the city the 18,000 or more employees of Van Sweringen enterprises there. Besides 2 department stores and the street railway, these include the central offices of the Nickel Plate, Erie, Chesapeake & Ohio.

Back from Wall Street

With their new associates the Van Sweringens return to their position of 20 years and more ago, before they bought the Nickel Plate road, when they were building up their then exclusively real estate and residential operations with the help of the capital of friends and neighbors. They part definitely with the backing of the Eastern banks whose interest they attracted with their Nickel Plate, and, so far as can be ascertained, there are no strings by which any Eastern banks or securities houses expect to return to participation later on. The leavetaking appears to be complete. It was brought about, in part, by the difficulty of the Morgans in being active among both the creditor and the



Wade World

BROTHERS STILL BATTLING—Railroads, industries, and realty projects accumulated in the past 20 years by M. J. and O. P. Van Sweringen (left to right as usual) will be auctioned off Sept. 30 because they didn't pay loans of more than \$48 millions. But the brothers have sought fresh backing and intend to bid.

equity parties at interest in the Missouri Pacific reorganization.

The new Van Sweringen group has its work pretty well cut out for it. This consists in the main of contending for what can be saved for the equities in the numerous reorganizations now under way, and, if public financing is ultimately intended, of revitalizing both the railroad and the local real estate pictures.

Jobs to Attend To

Affairs in which they will be represented include:

The Missouri Pacific bankruptcy.

The 77-b reorganization of Alleghany Corp. undertaken last autumn.

Alleghany's defense of its purchase of Terminal Shares, attacked by RFC.

The Chicago & Eastern Illinois bankruptcy.

The inquiry being made by the railroad coordinator into records of the Vaness Corp.

The Van Sweringen Corporation's plans for handling its note maturity.

The Cleveland Terminals Building Co.'s default of its leasehold bond issue.

Metropolitan Utilities' promise to buy Cleveland Railway stock at 40 points higher than its current figure.

The Higbee Co.'s 77-b reorganization recently started.

The confusing relationship with the Wheeling & Lake Erie, in which control of the road once held by Nickel Plate is now trusted with a neutral, and in which the Wheeling is now suing for money that was to have been paid for its station when that was absorbed into the Cleveland terminal.

In addition the Van Sweringens owe liquidating Cleveland banks about \$20,000,000. Their railroads together owe RFC more than any other single interest. The mortgages on their 4 large Cleveland office buildings and one of the department stores are mostly in the hands of insurance companies. The county auditor there has claims for unpaid taxes which need to be met before long. Mortgage interest and taxes ceased some time ago on fringes of suburban acreage purchased prior to 1929.

Downtown Dreams

The downtown buildings stand on a triangle of space acquired as air rights over terminal tracks of the New York Central and Nickel Plate, acquired by the Van Sweringens for construction of the Cleveland Union Terminal. The terminal itself cost \$80,000,000 (guaranteed principally by the Central); the air rights are valued for taxing purposes at \$13,000,000 and the buildings at \$42,000,000, not including the government's new post office building. The development of the terminal air rights was engineered to handle 260,000 people daily, mostly to be users of the rapid transit system.

This rapid transit system was projected to tap all the high-class suburbs

with service more than twice as fast as the existing street car system, thereby to rechannel the downtown business of the city. These prospective changes alarmed the older areas and built up an opposition now exceedingly bitter. In their plans the Van Sweringens counted on a city population of 1,500,000, but undertook to do virtually all the downtown and high-class residential construction which that would call for.

Up to O. P.

O. P. Sweringen's long and brilliant record as a negotiator, his authentic genius for persuasion, is being counted upon in Cleveland to hold the maze of interlocking equities together until a further rise in securities values takes place and the Cleveland properties are restored to health. Himself the originator of the 4-system consolidation plan for Eastern railroads, his fate probably rests upon the prospects for completing it and realizing its economies, just as in Cleveland the fate of his limestone towers lies with the chances for conciliating business rivals over local transit and enlarging the city so that there is enough trade for everybody. The alternatives to all this might be salvation by raw inflation, or damnation by foreclosure and reassignment of ownerships.

Bottled-in-Bond

National and Schenley cut prices on 4-year-old whiskeys, make it harder for foreign competitors.

DEMAND by the convivial for better whiskey at lower prices has at last been met by important cuts in popular bottled-in-bond brands. Result is a hearty jump in sales, corresponding to the enthusiasm that greeted the \$1 pint bottle in lowlier distillations (*BLW*—Aug 24 '35). The reduction discloses a willingness to accept thinner profit margins for greater gallonage, and that warehoused supplies (4 years or more) are coming of bonded age.

The cuts mark the dawn of the wished-for day when aged American whiskey would be able to combat price quotations of Scotch and Canadian brands. As a greater gallonage of domestic firewater achieves that comforting green U.S. stamp, odds against importations become heavier. Domestic liquor pays a \$2-a-gallon federal excise tax; imports pay a \$5-a-gallon duty which sets a definite bottom to price reductions.

America's 2 leading producers announce downward revisions on 4-year-old bonded brands. National Distillers cut its Old Overholt from \$40 to \$31 a case wholesale. Schenley reduced Old Schenley from \$37.50 to \$30 a case

wholesale. This puts the next most smack up to Canadian bonded brands which have been \$35 a case wholesale. A quart of 4-year American whiskey will now sell to consumers at something over \$4. More venerable Scotch and Canadian brands retail at about the same figure for a fifth. Larger content of the American bottle is expected to overwhelm any claims to greater geniality by the invaders.

The question now is: To what extent will the battle of prices become the battle of birthdays?

Veterans Not Embattled

The real ancients among domestic liquors aren't involved, having become so rare that prices remain at stratospheric altitudes. But the downward movement of 4-year-olds together with increased spending power is expected to wean some of the demand from cheap blends and young straight whiskeys. It is doubtful if any decided shift will occur until bonded prices can be further deflated. About 70% of all legal sales are said to be in the \$1-a-pint field and continued tight times are expected to hold them there for a while.

Comparison of national sippings with



SILK-STOCKING RUM CZAR—To head the new Federal Alcohol Administration, President Roosevelt chose former Judge Franklin Chase Hoyt, Republican, grand-son of Salmon Chase, Lincoln's Secretary of the Treasury.

11



choices in that a chapel tract in downtown Cleveland (sketch in circle) which holds the ambitious terminal group that has reversed the direction of Cleveland real estate development. Those tract lines are significant. They were designed to reroute to the Vans' shopping, business, and travel center almost every Clevelandian who can pay a rental of from \$200 up, including those in the business sectors. Robert Thompson

SEPTEMBER 21, 1935

WEEK

warehouse contents discourages immediate hope for greater cuts in bonded brands. Consumption of legalized American whiskey last year (blends as well as straight) was 38,300,000 gal. Production during dry 1930, 1931, 1932 was about 2 million gal. annually. It rose to 4,600,000 in 1933. There have since been huge increases but they must dream in the barrels for years before they graduate into cocktails and highballs as bonded whiskey.

Temperance Essayist

The industry welcomes the appointment of Franklin Chase Hoyt as head of the new Federal Alcohol Administration. His wide powers should help scotch the retail price vendettas and trade iniquities that give aid to the watchful dries. He is a distinguished New York jurist with a national reputation in handling juvenile delinquencies, he has a grim jaw and a skeptical gaze, and he once got \$25,000 for a temperance essay from Hearst. His grandpa was Salmon Chase, Lincoln's Secretary of the Treasury.

One of the important questions confronting him is alleged liquor dumping by state monopolies of Pennsylvania, Ohio, Michigan. The Federal Alcohol Control Administration was grappling with this problem when the Schechter-NRA decision threw it out of the ring. The Federal Trade Commission has been asked to act by New York interests. It is charged that state monopolies force distillers to take back slow-moving imported liquors which the distillers unload, principally on the

New York market. Thus do political control boards conceal stupid buying tactics from the public. The distillers swap faster-moving cheap brands under threat of losing future orders.

Administrator Hoyt moves in as prices move down and consumption moves up. Washington is vastly pleased at increased tax collections not only because they fatten the New Deal's purse but because they indicate a decline in bootlegging. For the last fiscal year (ending June 30) liquor taxes of all kinds poured \$411 millions into the federal treasury. They exceeded any pre-prohibition year (except the high-war-tax era of 1918 and 1919) and were 25% of all miscellaneous internal revenue taxes collected during the period.

Packers In Again

Government suit against meat packers leaves industry puzzled over motives.

CHARGES of price-fixing combination in violation of section 202 of the packers and stockyards act brought the 12 largest of the country's meat packers before Secretary of Agriculture Wallace on Sept. 16.

The hearing was expected to produce spectacular fireworks, but C. E. Miles had no more than warmed up in presenting the case of the government when Frank Glanker, counsel for the defense, suddenly announced himself

hors de combat due to illness and got an adjournment to Oct. 7.

However, enough of the government's case got into the records to make observers wonder whether other than merely punitive motives are behind the action.

12 Haled to Court

Specifically, it is charged that the 12 respondents (including the famous "Big 4"—Swift, Armour, Cudahy, and Wilson) combined to control meat prices from 1927 to 1932.

The government concedes that they abandoned the practice cited in November, 1932. Nevertheless, it started the present action in February, 1934, or 16 months after the alleged offenses stopped. The only explanation so far seems to be that it wanted to get on the books a cease-and-desist order, which would permit criminal prosecutions of future violations and call for fines of \$500 to \$5,000 and imprisonment of from 6 months to 5 years.

Insiders say that the packers are planning to put up a stiff fight. They have already been the target of many governmental prosecutions, know that Washington has them high up on the suspect list, and remember that the famous consent decree is hanging over their heads. So they don't want to be subject to any more government or court orders of any kind.

Supporters point out that the practices complained of comprised only one variety of the many different price-fixing plans, which, even in the pre-NRA era, were informally followed by industries, and in one form or another received governmental or Presidential blessing in 300-odd NRA codes. They argue that it will be difficult for the government to make out a case that would fairly justify a cease-and-desist order when admittedly the practice had been abandoned long before the action was started and after the same Administration had sponsored legislation intended to legalize such procedures.

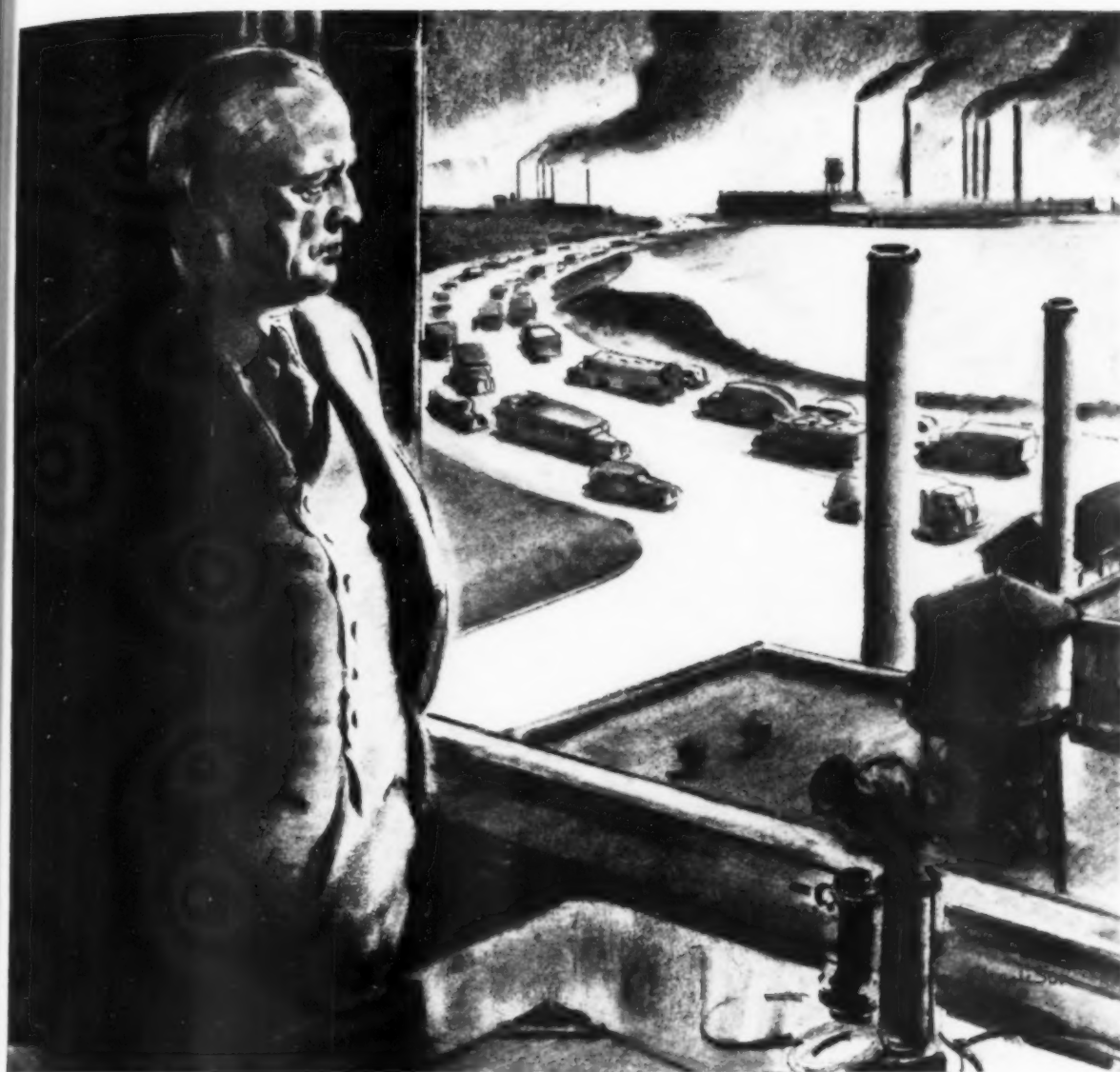
Meanwhile, the famous old packers' consent decree is also being brought out and readied up for possible use.

Grocers Smell a Clue

Ever on the alert for possible infringements of the decree, the National American Wholesale Grocers' Association reports that one of the "Big 4" packers has placed orders for 40,000 packing cases for shipping canned corn and tomatoes that bear its private label. Under the decree, packers are prohibited from handling "unrelated lines" such as canned vegetables and, if the report is true, it will look as though one "consenter" is preparing to kick over the traces. The wholesale grocers don't propose to let the matter ride until something more definite happens and have requested the Department of Justice to make an investigation.



HOW A BIG CANAL BEGINS—After Florida was struck by the hurricane, President Roosevelt approved a \$5-million allotment to start a \$26-million canal from the Gulf of Mexico to the Atlantic, through northern Florida, so that ships need not pass through the hurricane zone of the Florida Keys. In 3 days workmen built a construction camp at Ocala to get the canal started.



THE FACTORY THAT MISSED THE PARADE

"New piping? What for?... Well, let's wait until the orders come in before we do anything about *that*!"

And then came orders, labeled RUSH... the pent-up demand of five years bursting on the industrial scene, and the plant wasn't ready, couldn't deliver.

The factory that anticipates the United States of America scrambling to its feet... that replaces worn valves, fittings, piping... that designs piping anew for

greater economy, greater efficiency—that's the factory that will be at the corner when the parade passes by. The executive who turned his engineer down on repairs and replacements won't even hear the calliope!

Stamina, precision manufacture, quality materials—by these the industrial world knows Crane valves and fittings. Standardize on Crane in your own plant and you have the strongest possible ally

in battling waste and inefficiency, high maintenance cost, inopportune break-downs.

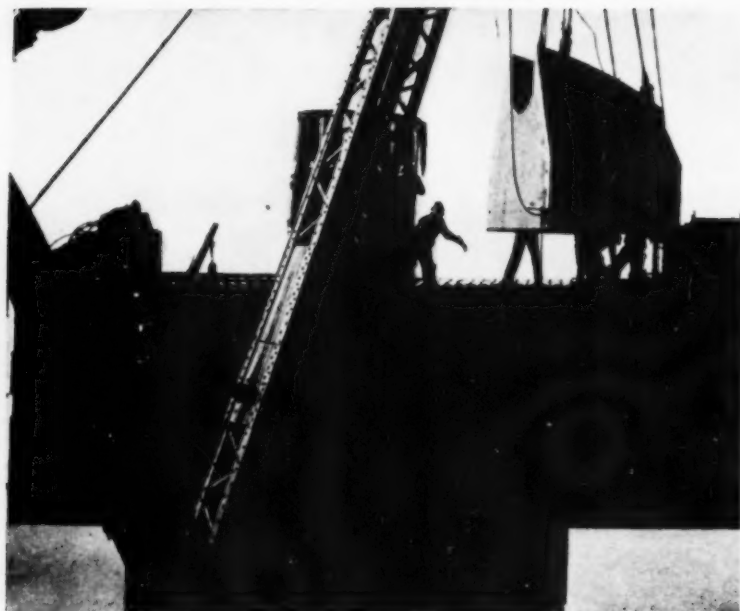
Crane Co. will be glad to discuss with you and your engineers your entire piping problem, and to explain in detail the Crane Finance Plan, making possible improvements costing up to \$50,000 with repayment over a period of years.

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SADDLING THE BRIDGE—Segments of the 150-ton cast-steel cable saddles go into position on San Francisco's new Golden Gate Bridge. Three of these bolted together support the cables at the tower top, 746 feet above mean water.

FTC vs. Quantity Discounts

Goodyear-Sears case approaches a decision on whether a common business practice is illegal practice.

THIS week brought another, probably the last, round of argument in the long-drawn-out battle between the Federal Trade Commission and the Goodyear Tire & Rubber Co. (BW—Jan 27, Feb 10 '34).

The hearing had been called at the request of Goodyear attorneys to give them a chance to support with oral argument their already filed brief in which they registered 129 claims for exception to different rulings and findings of the trial examiner.

As the commission's original complaint charged Goodyear with violation of the Clayton act through price discrimination favoring Sears, Roebuck & Co., much of the action has revolved around the question of where and when illegal price discrimination begins.

Dealers Differed

The commission has tried valiantly to prove its case, and between January, 1934, and January, 1935, staged a series of dramatic hearings in several large distributing centers at which some dealers testified that they were hurt by Sears' tire competition while others were equally definite that Sears' prices and selling tactics did them no harm.

Finally John W. Bennett, trial examiner, filed his conclusions, contending that from Apr. 1, 1926, to Dec. 31, 1933, Goodyear's price discrimination

amounted to \$18,197,461 or approximately 17.03% on the total bill of tires which it sold Sears in that period.

Goodyear now takes exception to the method by which that total was arrived at and, in so doing, again raises an issue about which discussion has raged for many years.

Among Goodyear's chief arguments is that the process of calculating the actual price advantage enjoyed by Sears should—

(1) Not charge to the cost of Sears' business any portion of the \$35 millions spent by Goodyear in advertising and selling its own brands during the scrutinized period, because Sears could not cash in on it;

(2) Not charge the total consideration paid for the new Sears contract in 1931 to expenses in 1931, but should prorate it over the period of 10 years, which it covers.

(3) Include as cost of Goodyear dealer business the expenses of company-owned stores, of bus and taxi mileage business.

On the first point those who know general business practice and accounting methods side with Goodyear. They say that many department stores—and particularly chain store systems—would be unable to maintain certain goods at prevailing price levels were it not that

manufacturers of nationally advertised brands are willing to supply them with these goods under private brands. The manufacturers do this in order to get the fullest advantage of large production and support their stand by pointing out that such a policy enables them to give their own customers better goods at lower prices, while helping them to maintain production at an even pace and provide more steady employment.

10 Years to Pay

The second point is answered by practical business men with the suggestion that the cost of any 10-year contract should no more be charged into a single year than the total rent consideration on a 10-year lease should be charged into the overhead of the first year.

After sifting down the methods employed by the FTC in arriving at the \$18-million total, Goodyear accountants did some figuring, too, and finally concluded that the actual price advantage enjoyed by Sears totalled up to \$7,985,440 and represented a 4.46% differential on sales. This, Goodyear argues, is justified in view of the large volume of business done under the contract.

Observers point out that so-called quantity discounts are granted in almost every line of business and every industry, that every retail buyer knows such price concessions are stretched as quantities grow, that if the FTC should pronounce the Goodyear concession to Sears illegal discrimination under the Clayton act it would have to hire every lawyer in the country to prosecute all the identical cases that would be handed to it.

Bubble Burst

Court disappoints soap makers who hoped to collect from Lever on infringement charges.

STOCKHOLDERS of Procter & Gamble Co. and Colgate-Palmolive-Pet Co., who figured that regular profits and dividends from soap-making would be boosted shortly by extras from a soap bubble patent, saw their bubbles unceremoniously burst this week. Judge Thomas W. Slick of the Federal District Court at South Bend, Ind., finally decided a commercial *cause célèbre* by ruling that Lever Brothers of Great Britain, Cambridge, Mass., Hammond, Ind., etc., had not infringed.

The complaint of the 2 American soap makers revolved around a patent granted in 1926 to Dallas R. Lammont under which both were manufacturing solidified soap bubbles, sold under trade names such as Ivory Snow, Palmolive Beads, Selo, and Supersuds. They contended that Lever Brothers produced the rival product Rinso by the same process, wanted it restrained from fur-

ACCOUNTING

has kept pace with the progress of mankind

UP through the ages, many accounting methods and devices have been developed and discarded. Prehistoric cave dwellers carved their records on crude stone tablets. Ancient Peruvians kept accounts by tying knots in strands of cord. The abacus, or bead rack, was widely used in China and Japan.

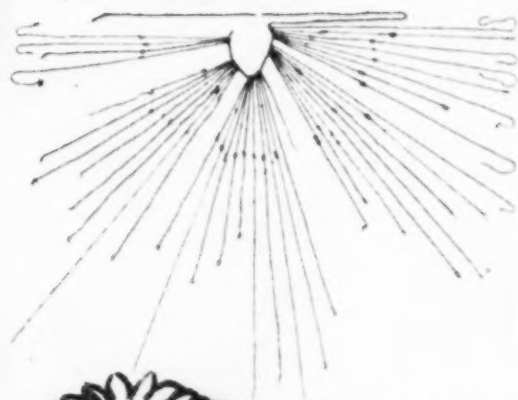
The more complicated man's existence has become, the greater the need for reliable accounting methods. The sputtering quill pen, the letter press and the cumbersome ledger have served their purpose—and their time.

Today, International Electric Accounting and Tabulating Machines fulfill the exacting demands of modern business. Through the medium of punched tabulating cards, these machines *automatically* provide complete, printed reports. Facts pertaining to any phase or branch of any business are selected and immediately tabulated. The accuracy and speed and economy of this method are in keeping with the progress and the requirements of present-day activities.

Inventory Aid

For example, the International Electric Accounting Method enables management to keep a constant check on the material investment. Accurate inventory data may be obtained at any stated period. This knowledge may be secured from a permanent installation of tabulating machines, or by employing the International Business Machines Service Bureau, branches of which are located in all principal cities.

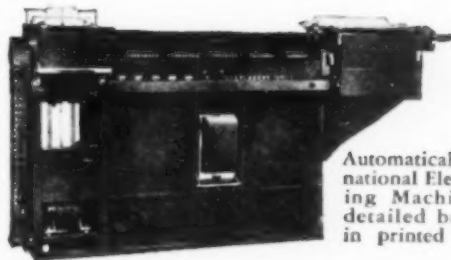
International Business Machines are serving business and government in seventy-nine different countries. These machines include International Electric Accounting and Tabulating Machines, International Time Recorders and Electric Time Systems, International Industrial Scales, International Electric Writing Machines, Central Control Radio, Music and Speech Equipment. The International Ticketograph and the New Proof Machine for Banks.



The *quipu* is the name of this strange device of knotted cords. It was used by ancient Peruvians to record the facts of their existence.



Photo courtesy Field Museum of Natural History, Chicago.



Automatically this International Electric Accounting Machine provides detailed business facts in printed report form.

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This is the reminder gift that gets right under the skin of your customers and prospective customers. It cements friendships and builds sales for you.

We reproduce your trademark and a friendly message in your colors right beneath the surface of the translucent Pearl barrel. It is there to stay. Your customers will take pride in showing this beautiful writing instrument to their friends.

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ther use and asked for an accounting and damages. Since Rinso has been a big seller and profits on that type of product are known to be high, the Americans were undoubtedly reaching for a very tidy sum.

The trial, late in 1934, was one of the most spectacular of recent years, lasted for 7 weeks, included dramatic sessions of the court at the plants of the rival companies. The plaintiffs tried to prove that, prior to the Lamont process for spraying and drying soap, no soap "beads" or "snow" products were possible.

Claim Early Start

The defendant countered with testimony that it started to manufacture spray-dried soap in 1910 and continued to improve the process until modern Rinso was made possible. At the Lever plant in Hammond processes developed by or for the Corn Products Refining Co., W. L. Fleisher Co., and F. F. Pease & Co., were demonstrated before the Court, to show that, long before 1927, spray-drying methods were in vogue in connection with soap, tannin, glucose, starch, and other products.

Records of Lever Bros. were presented to show that the phenomenal rise in sales of Rinso, ascribed by plaintiffs to the use of their process, actually was caused by the expenditure of over \$6 millions in advertising and other promotional activities.

In his decision, Judge Slick says that "while defendant's product resembles, to the casual observer, that of plaintiff, it in many respects is quite dissimilar." He said also that defendant should be commended for improving the product and should not be required to stop improving because of issuance of the Lamont patent, which "neither defendant's process nor its product infringes."

Now there is general speculation whether lawyers for the American soap makers, led by Newton D. Baker, will decide to leave well enough alone or to carry the case to the higher courts.

Taps for No. 1 Sugar

Original raw sugar future contract is killed by quota system after Cuba sells us the limit.

THE #1 sugar contract on the New York Coffee and Sugar Exchange died last week, as expected. The decedent was nearly 21 years old, but in its last months was so enfeebled by the younger #3 contract and by the strain of living under AAA that death was no shock.

Official acknowledgment of the mournful event was made when C. A. Mackey, president of the Exchange, announced that the remaining open commitments in the December and January



HEADS STEEL MERGER — The United States Steel Corp. has united its 2 biggest subsidiaries, Carnegie (of Pittsburgh) and Illinois (of Chicago), as the Carnegie-Illinois Steel Corp., with Benjamin F. Fairless (formerly of Republic) as president.

#1 contracts would be liquidated through a voluntary committee.

There are no commitments open beyond the January one, and all sugar trading on the Exchange now is in the #3 contract. This provides for delivery of raw cane sugar of specified grades, from any source whatsoever, within quota limits set by the AAA under the Jones-Costigan act.

Death by Quota

It was the quota system that killed the #1 contract. The original and, before the advent of AAA, the only raw sugar future contract was #1, which called for delivery of Cuban raw sugar, duty unpaid, within quota limits.

When the Cuban sugar quota was filled recently and no more quota sugar was left to apply on existing contracts, the #1 was actually dead, needing only Exchange action to topple it over.

The bulk of sugar trading has long since been switched into the #3 contract, on which any cane sugar may be delivered, but even in the #3 there is a possibility that there will be none too much sugar available to settle contracts at the end of the year.

With 4 months still to go, Cuba's limit had been reached; Puerto Rico's quota had been 90% filled; Philippines 84%; Hawaii's 78%; Virgin Islands 45%; Florida and Louisiana 33%.

Of the country's entire consumption

quota of 6,276,652 short tons, slightly more than 80% had been filled, with the season only 66% gone. Domestic consumption this year, according to Lamson, will run 4% more than it did last year.

Beet sugar, produced domestically, is a hitch in the program that AAA will have to ponder awhile. Beet sugars have filled only 60% of their quota. If, in order to ease the close adjustment of supply and demand by the end of the year, AAA elects to increase the cane sugar quotas, there will be a mighty noise from the beet sugar states, which have 40% of their allotted marketing still to do, and are hoping to do it on a tight market.

The logical expectation is that AAA will not increase sugar quotas at the risk of stirring up a political hornets' nest. Hence the sugar trade will have to get along with the sugar available.

The possibility of a squeeze in futures is not yet a serious threat. If it should be, the Exchange can be guided by the experience of last December, when the #1 contract raised trouble.

Cigar Tax Complaint

Manufacturers tell AAA that smoking can't stand present taxes, let alone an increase.

CIGAR manufacturers believe the world is tough enough without processing taxes, and intolerable with them. This week at Washington they finished a series of hearings on the projected increase in cigar leaf taxes with a strong plea not only against the increase, but for the abolition of the levy. AAA responded by dropping the proposed increase.

In 1920 the United States smoked 8 billion cigars or 76 per capita. In 1929 only 6.5 billions were smoked and in 1934 the total had dropped below 5 billion and only 36 per capita were consumed. As if this were not sufficient cause for worry, manufacturers point out that in 1920 only 22% of all cigars retailed for 5¢ or less. Today 89% are in the nickel or less class.

This is part of the story that harassed manufacturers presented to the AAA. The other part is that, since processing taxes and crop restriction have been in effect, cigar leaf has risen from 7½¢ to about 17¢ per lb.

Practically the entire industry says that it cannot continue under these conditions without going completely broke. The burden is particularly hard on the small manufacturer who is a hand-to-mouth tobacco buyer in contrast with the large companies which have as much as 2 years' supplies on hand most of the time.

Manufacturers point to the strangu-



Sinbad's Burden

... Yielding to the pleadings of the Old Man of the Sea, Sinbad lifted him onto his shoulders and carried him tenderly across the stream. To his amazement, the Old Man refused to alight. Instead, he entwined his legs so tightly around Sinbad's chest that he could not be shaken off. Day after day Sinbad's burden became more and more crushing. . . .

A MATERIAL, process or modus operandi will sometimes so firmly imbed itself in the construction of an implement, appliance, engine, machine, vehicle, or part, that discarding it in favor of something more modern is often difficult. Meantime, its continued use may become a serious burden to both production and sales departments. . . . For competition is ever ready to capitalize a rival's lack of progressiveness.

Is the persistent retention of once modern steels threatening to leave you behind in the face of the newer discoveries of metallurgists and steel-makers? Have your engineers told you

about Molybdenum—the alloy which not only improves ordinary carbon steel, but actually increases the effectiveness of other alloys?

Greater strength, toughness and shock resistance, less temper embrittlement, easier machinability and welding—these are some of the qualities "Moly" imparts to steel and iron. Yet so powerful is Moly, and so little is the quantity required, that it seldom adds to—and generally reduces—the ultimate cost . . . because it usually lowers the first cost through less alloy content, means fewer rejects and effects other shop economies.

Investigate Moly. Ask any metallurgist or steel engineer. Moly has had more than a decade of countless laboratory, steel-furnace, foundry, forge and punishing service tests. We invite business executives and their associates to send for our new, non-technical brochure, "The A-B-C of Better Iron and Steel." Climax Molybdenum Company, 500 Fifth Avenue, New York City.

MOLY

INDUSTRY'S MOST MODERN AND VERSATILE ALLOY

lation that is taking place in York County, Pa., where small cigar factories are quitting by the handful, as typical of conditions in the industry. They predict that even restricted cigar leaf production will soon be too much and the surplus which is now wiped out will be re-created.

As a final shot, the manufacturers inquire why, after prices have advanced to

the parity objective and beyond, the poor cigar must continue to support a processing tax. Cigar leaf taxes at present are 3¢ per lb. except for that used for scrap chewing and smoking tobacco. An increase of 10% was proposed. Sharp decreases are proposed on other classes. In addition to processing taxes, cigars support federal levies of \$2 to \$13.50 per 1,000.

"NRA" for Security Dealers

California's investment bankers form organization for self-regulation. Members subject to fines for violations. SEC is watching the experiment.

CALIFORNIA dealers in securities believe they made a smart move last week in forming the California Security Dealers' Association, the first organization of its kind, designed to continue in effect "the integrity of dealing, with each other and the investing public, that existed under the code made ineffective by collapse of NRA."

The two most important phases of the work will be managed by the Business Conduct Committee (membership identical with that of Investment Bankers' Code Committee for California) and the Public Relations department, which is headed by Hubert J. Soher, former financial editor of the San Francisco *Chronicle*, and now with the investment banking firm of H. R. Baker & Co.

The Business Conduct Committee will function much as in code days. When an investment banker joins the association, he signs an agreement that binds him legally to abide by decisions of the

committee and pay all fines imposed by it up to \$500. If that isn't effective, the committee will suggest an investigation by the state corporation commission, headed by the genial Edwin M. Daugherty, who has promised full cooperation.

The federal Securities and Exchange Commission is said to be watching the California experiment as a possible basis for similar organizations elsewhere. Easterners doubt that state regulation will suffice, think only feasible basis is a national code, for which new legislation will be required.

The association will be headed by a governing board of 12, half from San Francisco and half from Los Angeles. For the north: A. E. Schwabacher, Thomas M. Hess, Dwight Chapman, Jean Witter, V. E. Breedon, and Spencer Brush; for the south: Edwin Barnes, D. J. Bogardus, Francis Moulton, David T. Babcock, W. H. Durst, and Robert Parsons.

Wallace Fulton, of San Francisco, who was secretary of the code committee for California and later went East as director of compliance of the national investment code committee, will be northern secretary of the new association. Edward McWilliams, of Los Angeles, will keep things moving in the south.

Back of the new move is a notable record of cooperation among investment bankers of California in implementing the best features of regulation under the code. When NRA died, it was thought its best provisions could be continued without permanent organization. Experience soon indicated this was impossible.

On June 3, therefore, dealers in San Francisco met and appointed George Davis, who had headed the state code committee, as chairman of a committee to work out a plan. Discussion took place with Los Angeles and with SEC. Then plans for the new association were devised.

Membership is open to every licensed broker in the state.

Bank Makes Talkie

"Transamerica" film shown to Financial Advertisers. SEC's lawyer says honest advertising is safe.

THE Financial Advertisers Association gathered last week at Atlantic City and unleashed the best store of enthusiasm since the bottom of the depression. Leaders in the financial and advertising fields urged their hearers to go after business aggressively.

One of the new ideas that popped out of the conference was moving-picture merchandising for banks. "Trans-

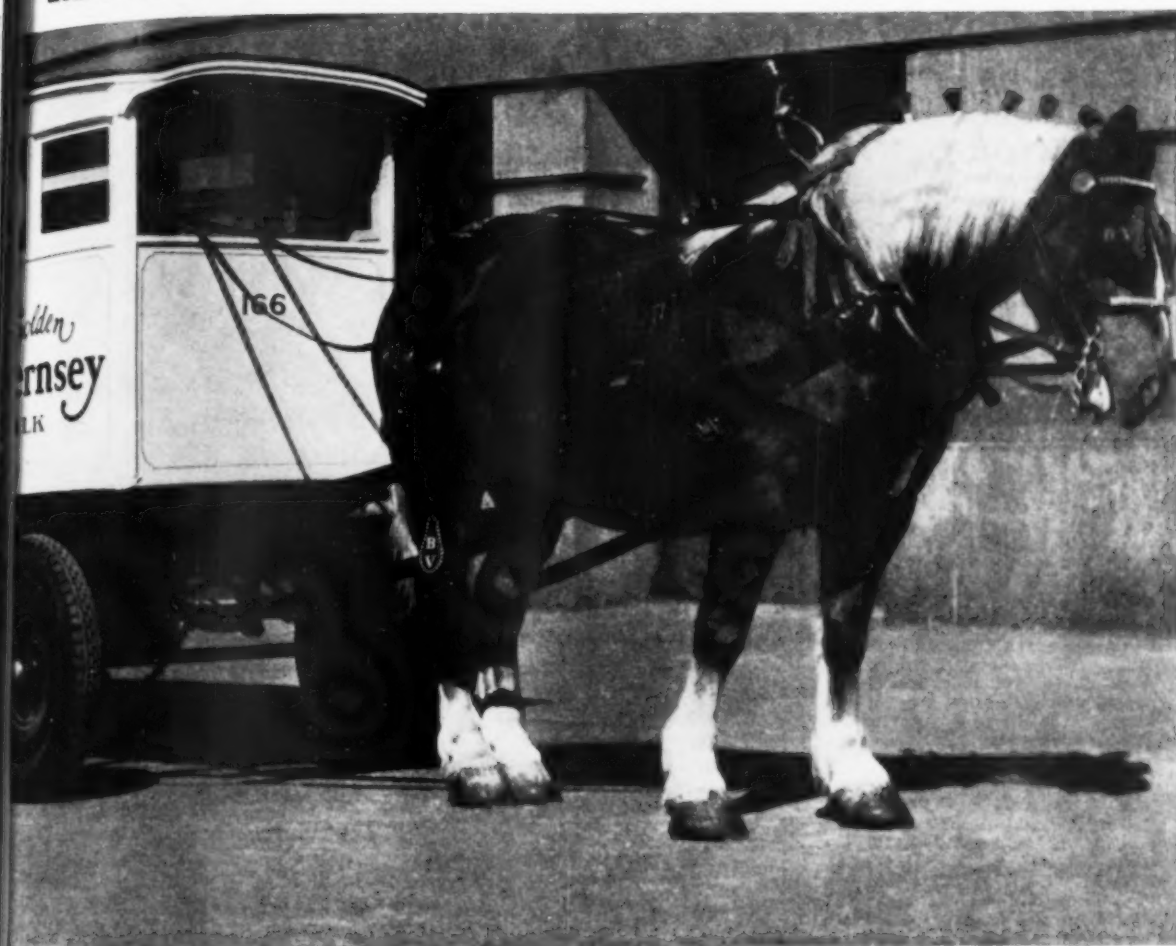


A LAKE IS COMING—For 8 months there's been excavation and construction work at the Tygart River Reservoir Dam, near Grafton, W. Va.—the first of a series of detention reservoirs for the upper Allegheny and Monongahela River basins for flood



control in the Pittsburgh area. The river valley will become a huge lake in 1938. Those two little girls of the Grafton neighborhood are viewing a model that shows what the reservoir and the dam will look like when they are finished.

"MONEY MAKES THE MARE GO"



BUT RUBBER BRINGS HER BACK

THE horse is staging a comeback, and rubber is one of the chief factors making that comeback possible.

Along congested milk and bakery routes, it is found that time is saved because the horse starts and stops without attention or time from the driver. The horse even stops at the right houses of customers, if a new driver forgets some of the addresses!

But to return to horses meant noisy clomping and clatter—until Goodrich

perfected horseshoes and calks of rubber which make no noise, outwear old iron shoes, and save energy of horses as well as sleep and nerves of customers.

Rubber for silence has a thousand applications in industry today. Silence could improve the salability of many a product, or could reduce fatigue of workers and machinery and so reduce costs.

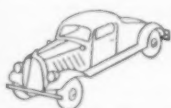
But silence is only one of a host of attributes of modern rubber as Goodrich compounds it. Goodrich rubber

can be made in almost any color, texture or form; it can absorb vibration; it can flex countless times without ageing; it can resist chemicals, oil, heat, abrasion; it can be attached inseparably to almost any other material. Goodrich rubber is really a myriad of products. Some one of its many new qualities is almost certain to be valuable to you, no matter what your product or process.

Why not let Goodrich application engineers explore the possibility with you? The B. F. Goodrich Co., Mechanical Rubber Goods Division, Akron, Ohio.



• An automobile maker reduced motor vibration by suspending the motor from the frame with Goodrich rubber dampers mounted in shear.



• Toy automobile sales doubled when wheels were changed from noisy, destructive metal to silent, safe, life-like Goodrich rubber tires.



• A milk company has reduced its breakage bill by equipping its metal baskets with rubber strips. Also it ends early-morning rattle of glass.



• Modern rail cars are made possible by Goodrich rubber which dampens noise, and absorbs the vibration caused by high speeds.

Goodrich

ALL products problems IN RUBBER

Modern CHEMICAL Developments

XXII

67. MASKS FAT ODORS IN SOAP

The pleasant, mild aromatic odor of high tertiary alcohol pine oils makes them a valuable constituent of soap powders, bars, and flakes. Besides neutralizing fatty odors, these oils aid detergency. They are especially effective for washing woollens and for removing greasy soils.

68. NEW TREND IN PACKAGING

The trend towards nitrocellulose lacquer as a finish for labels, wrappers, and cartons is accelerating. This material produces a brilliant gloss when desired, protects against soiling, and does not scuff in transportation. It is waterproof, greaseproof, and improves appearance and utility.

69. WIDE RANGE OF WOOD ROSINS

Hercules Wood Rosins are now available in all grades from FF to N and in some special grades. These rosins have a tendency to bleach in processing so that they frequently will give results equal to paler grades of gum rosin. All of them have the advantages of being clean and of meeting specifications regularly.

70. TORNESIT NOW SPRAYS

Tornesit, the new chlorinated rubber base for paints, is now made in low viscosity (20-35 centipoises), which allows it to be sprayed like lacquer. This greatly widens its usefulness in coatings to resist acids, alkalis, oil, gases, corrosion, and other forces that attack metal and concrete surfaces.

71. RESIN AND PLASTICIZER COMBINED

Hercolyn is recommended as a combined resin and plasticizer for nitrocellulose lacquers. It is a pale liquid resin, compatible with nitrocellulose and soluble in all lacquer solvents and diluents. Small amounts greatly improve adhesion to metal surfaces.

72. TO LACQUER MANUFACTURERS

Generally, the quality of a lacquer film is improved by increasing the nitrocellulose content; of equal importance, however, is the quality of the nitrocellulose used. Hercules Nitrocellulose is of unusually high quality and uniformity.

73. DISPLAY OF NEW MATERIALS

New materials of interest to many industries will be on display in the Hercules Exhibit at the Chemical Show, Grand Central Palace, New York, December 2 to 7. Technical representatives will be present.

More detailed information on any of the above subjects can be secured by filling in this coupon.



HERCULES POWDER COMPANY
INCORPORATED
Wilmington, Delaware

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Address

Company

IN-32-B

america," a talkie produced by Castle Films, was presented; it depicted the origin and present scope of the Trans-america bank chain. There were shots that showed the bank's branches, some of the personnel, the nature of the country and the business surrounding each unit of the chain, and the enterprises which the bank had helped finance.

Advertising in movie form is growing among industrial firms, but the Trans-america picture is the first to be made for a bank. The convention thought it was good promotion.

Rough on Green

New rubber union international rejects his man and picks own officers. Skirmishing on Wagner act continues. WPA backs down on "security wage."

WILLIAM GREEN entered a convention hall in Akron and tried to tell the new rubber workers' international where to get off. They told him. That made one item in the labor news this week.

Another was the continuance of the skirmishing that is leading up to the big battle on the Wagner labor relations act.

A third was the announcement that WPA would back down from its insistence that skilled labor accept the "security wage."

What happened in Akron was to some extent a repetition of what had recently happened in Detroit. There the executive council of the American Federation of Labor, acting through President Green, ordered the new International Union of United Automobile Workers to accept Francis J. Dillon, chief A. F. of L. organizer in the industry, as president; and though the international refused, Green nevertheless said Dillon was in office. And that was that (BW—Sep 7 '35).

Elect Own Ticket

Similarly, in Akron Green ordered the United Rubber Workers Union to accept Coleman C. Claherty, chief A. F. of L. organizer in the industry, as the first president; and the convention refused and went ahead and elected its own ticket.

The new president is Sherman H. Dalrymple of the Goodrich local, who has been close to Green and Claherty but has now definitely broken with them on the question of self-rule by the rubber international. Thomas P. Burns, the insurgents' leader, was elected vice-president.

Moreover, in Akron, as in Detroit, Green warned that the new charter did not permit the union to accept members who practice crafts that are already represented in the A. F. of L. He told

Former Judge John J. Burns, chief lawyer for the SEC, told the financial trade it was too cowardly about advertising new security offerings. In effect he informed issuing corporations, underwriters, and dealers that the SEC was their pal, was trying to help them sell their wares, and was hurt because they insisted on being afraid of the law. He outlined the fundamental information required in advertising and in prospectuses, and said the commission is still trying to simplify and clarify the requirements.

the rubber union that engineers, firemen, and electricians, among others, were outside their jurisdiction. The union would like to be an out-and-out industrial union and organize everybody in the industry.

This question may be fought out at the A. F. of L. convention in Atlantic City next month, with the auto and rubber unions backed up by John L. Lewis, the stocky, bellicose leader of the miners, and Sidney Hillman of the garment workers, who is equally persistent and effective though not so Big Sticky. But they'll have an uphill fight against the entrenched resistance of the craft union officers.

Labor Board's Rules

Meanwhile, the National Labor Relations Board announced its regulations. It will establish regional boards in 21 cities. These boards will hold employee elections, and will try the cases of employers accused of frustrating collective bargaining. Charges made by unions will be investigated by the boards before they issue complaints.

The decisions of the regional boards are appealable to the national board. Employers resisting the national board will be haled into the federal courts.

Unions have already brought charges against a number of employers, mainly in the automobile, steel, and textile industries, for opposing collective bargaining.

Big business is preparing to challenge the legality of the Wagner act. A subcommittee of the Lawyers Vigilance Committee, which was recently appointed by the American Liberty League, has prepared a report that the collective bargaining provisions of the act are unconstitutional. The main committee of more than 50 members includes John W. Davis, James M. Beck, and Forney Johnston, all of whom have



S.O.S. ON DRY LAND—Members of American Radio Telegraphists Association summoning assistance from other marine workers and from passengers by picketing the docks at the Hudson River in New York City. Some ships sailed with strikebreakers; a few companies signed with the union.

been retained by the Edison Electric Institute to fight the anti-utility legislation of the New Deal.

The WPA retreat on the "security wage" issue was admitted by General Johnson, administrator in New York City, who said the union demands would be partly met.

Business leaders in Toledo are gratified at the results so far obtained from the Toledo Plan, which requires a study of labor disputes by representatives of labor, business, and the general public before strikes are called. A serious milk strike was recently averted.

"Sparks" on Strike

New York's ship radio operators walk out, demanding better wages, shorter hours, the "closed shop."

"SPARKS," the dapper young man who sends out the S.O.S. and other more commonplace radio messages from ships, struck in New York last week. Here is another case where technical workers are abandoning their dependence on management for wage and hour terms, are adopting the weapons of less skilled labor. Voyagers alighting from taxis to board ships in the Hudson were confronted by pickets sandwiched between placards which re-

minded them of great sea disasters or urged them not to sail with "scab" operators.

Strikers belong to the American Radio Telegraphists Association. Demands include union recognition, 8-hour day, wage increases. The men say wages on the East Coast now run from \$67.50 to \$165 a month. They demand \$115 to \$165. Ships sailed with non-union operators, but the association claimed that available men would soon be exhausted. Several large companies already have agreements with the union. Some signed after the strike began. Strongest opposition is from the American Steamship Owners Association.

The A.R.T.A. claims a membership of 2,800 in all ports. It is affiliated with the International Seamen's Union. On the Pacific Coast, where shipping unions are strong and closely integrated, the International has stood by the operators. There the "closed shop" prevails. In New York early refusal of the seamen's union to walk out embarrassed the radio strike, caused threats of extending the trouble to other Atlantic ports. The association's power would be greatly strengthened by general adoption of 8-hour shifts by passenger carriers. It is claimed that this would take up all the slack in employment, would make it easier for the association to control its field in the future.

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B. W. 9-39

JUNE in JANUARY



Not merely a fancy—but a fact in many modern buildings, today.

Gone is the arid, strength-sapping, sickness-inviting, fuel-wasting, over-heat of steam heating systems out of control—the annual menace to health and efficiency.

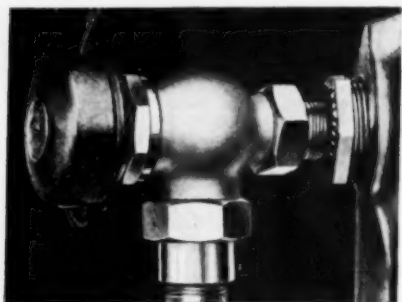
Thanks to a little inexpensive valve that automatically meters the steam as needed at each radiator, according to the room's comfort requirements, measured by an attractive wall thermostat. You name your temperature and Syphon Electric Radiator Valves do the rest—quickly, efficiently, day in and day out.

Applicable to a single room, a zone or an entire building—Syphon Electric Valves simply replace ordinary valves on exposed or concealed radiation. No building alteration, mess or bother.

Look into this common sense solution to a trying problem. Write for Bulletin SW-520.

FULTON SYLPHON Co.
KNOXVILLE, TENN., U.S.A.

Representatives in All Principal Cities in U. S. A. and in Montreal, Canada and London, England.



The Facts About Work-Relief

Here's situation after Roosevelt ends Ickes-Hopkins dispute: WPA will carry most of load; PWA hits stride next year; then comes another works program.

BALANCING time, men, and money is a simple problem in equation that was quickly solved by President Roosevelt after Harold Ickes hurried to Hyde Park to complain against Harry Hopkins. It was about the fourth or fifth time the President had quickly solved the same essential problem.

However, the country-wide protest against the slashing of the PWA program may impel Congress to give the President express instructions for the spending of further appropriations for work-relief.

The money allotted to PWA projects out of the latest appropriation is less than half the \$900 millions allotted by the law. But PWA Administrator Ickes covers his discomfiture by explaining that this was only suggestive.

Hopkins Wins in Winter

In order to provide employment for 3,500,000 men from relief rolls, the President decided that from December through March, Hopkins' WPA will have to carry the bulk of the load. So

WPA got most of the \$1,250 millions which remained for allotment this week from last April's appropriation of \$4,880 millions, after paying \$85 millions more for direct relief (total now about \$800 millions), and \$5 millions for CCC (total \$597 millions).

Although Ickes trailed in the Hyde Park match with Hopkins, PWA's program will run over \$835 millions in cost. (This includes the 55% paid by sponsors.)

Here Are PWA Figures

Grants for PWA projects approved to Sept. 16 total \$126,738,000. Approximately \$200 millions will be added for PWA projects by cutting its low-rent housing program from \$240 millions to \$100 millions and pinching Tugwell's rural resettlement and Morris Cooke's rural electrification program.

The President regards rural electrification as "a simple business proposition" which RFC should be able to finance.

Upwards of \$50 millions more will



SMILE AS IF YOU MEANT IT—A hot fight raged up from Washington to President Roosevelt's home in Hyde Park. The President decided against PWA Administrator Ickes, in favor of WPA Administrator Hopkins. Then everybody concerned had to hide the fight and turn a smiling face to the public—represented by the photographers. Ickes, being licked, gets the place of honor beside the President. Hopkins, the victor, is unobtrusive at the extreme right. On the floor are Acting Budget Director Bell (left) and Rural Resettlement Administrator Tugwell. Standing (left to right) are Undersecretary of the Interior West National Emergency Council Director Walker, Deputy PWA Administrator Hackett, and Assistant Federal Relief Administrator Gill.

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S WEEK

be "found" for new PWA work by recapturing allotments made for previous PWA projects which sponsors have failed to push for various reasons.

All of this money, totaling \$376 millions, will be distributed as grants amounting to 45% of the cost of the projects approved. Sponsors must add 55%—about \$459 millions.

Not So Far Short

This doesn't run so far short of PWA's original program of non-federal public works, which, after allowing for recision of projects which have been delayed in execution, reached a total of approximately \$1 billion, of which the government put up \$670 millions in grants and loans.

In shattering Ickes' dream of a \$2-billion public works program, calling for \$900 millions in grants for work-relief funds (the rest coming from sponsors), the President saved Ickes' dignity by taking Hopkins' veto power over PWA projects into his own hands.

Ickes submitted a list of projects last week calling for grants totaling \$200 millions. This was the cream of applications totaling \$2,500 millions for grants or loans or both which PWA's dragnet had brought forth, in the hope that the President would sheer off from WPA's program of made-work.

In accordance with the President's instructions, the man-year cost of these new PWA projects will not exceed \$850, which brings them down practically to the WPA level. They are likewise such as can be put under contract by Dec. 15, completed within a year.

The President is counting on PWA work to get into full swing by the time WPA's program tapers off next July, but PWA obviously can't assume the entire burden. Another works program is already in sight to employ labor that private industry fails to absorb.

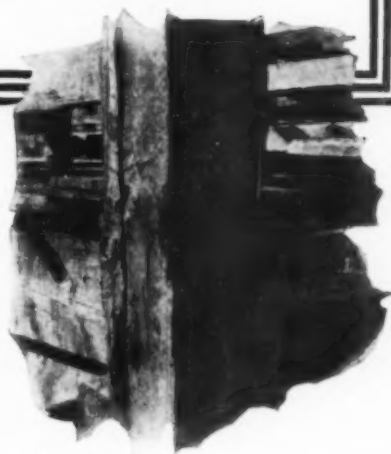
More Work-Making

The President is noncommittal on this, except for his significant remark at Hyde Park that such widespread improvements have been made in industrial technique that 1929 volume of production probably would not now require more than 80% of the labor employed in that year. As a step which the Administration is forced to take as an alternative to resuming direct relief, the next works program will be cast in the same mold as CWA and WPA.

The Administration is committed to an impressive list of huge flood control, power, water supply, and navigation projects that will require several hundred million dollars to carry to completion. The President regards \$500 millions a year as desirable to carry on a "normal" program of public works, but he is still confronted by an emergency that must be reckoned with in the budget now in the making for the fiscal year beginning July 1 next.

Koppers Products Protect

Koppers Creosote Prevents Destruction of Lumber



Millions of dollars of damage is done annually by the decay of wooden structures

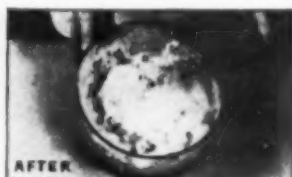
WHY DOES WOOD DECAY?

Wood decay is caused by a low form of plant life known as fungi. Fungi have fine, thread-like filaments which penetrate the wood, destroying portions of it and reducing it to a powdered or crumbled mass. The

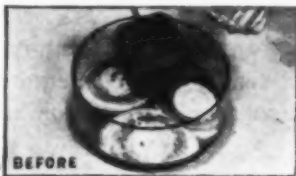
photographs on this page show one of the Koppers experiments which demonstrates how effectively Koppers creosote prevents destruction by fungi. Creosote treatments also prevent destruction by termites.



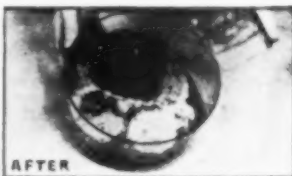
Un-creosoted block of wood being placed in test dish. Round white spots show the growing fungi.



Un-creosoted block entirely covered by the fungi, which are destroying it.



Creosoted block of wood being placed in test dish. Round white spots show the fungi.



Creosoted block untouched by the fungi, which have now been killed by the creosote in the block.

Foundation timbers in buildings, and bridges, ties, piling, etc. should be protected with Koppers Coal Tar Creosote. Creosote has been proved the most effective agent of preservation. Send coupon for further information.

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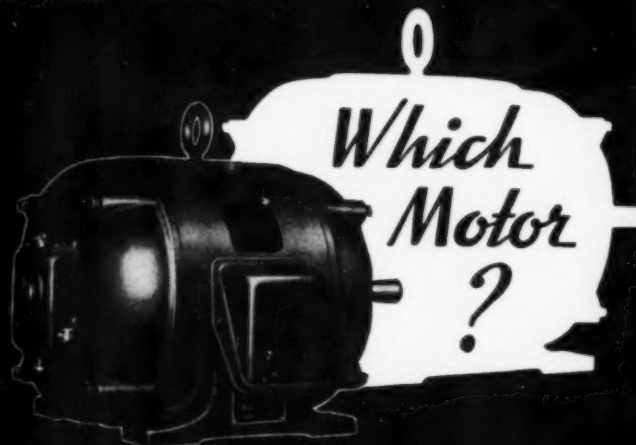
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New things, new ideas, new designs, new packages, new manufacturing and marketing methods.

For efficient handling of viscous liquids, including those that easily solidify, such as asphaltum, rosin, lard, the Worthington Pump & Machinery Corp. now offers a line of heavy- and light-duty rotary pumps that are steam-jacketed, will handle pressures up to 300 lb. per sq. in., temperatures up to 650°F., with capacities of from 10 to 2,500 gal. per minute.

ACE MANUFACTURING Co. advertises a Bakelite-molded desk calendar for executives, that may be used continuously as a month-to-month calendar and also gives any day and date for 200 years.

SATIN-STRIPE strip steel, now offered by the Acme Steel Co., has stripes or patterns rolled into the steel, is available in many different designs of varying width and depth, and will take chrome, nickel, or color finishes.

GOLFERS who enjoy the thrill of sinking their putts, but not the strain of stooping to get the ball out of the cup, can eliminate the need for bending exercises by equipping each green with the Kirk-Kup and pin. The latter has a special gripping device which enables the player to retrieve the "pill" without reaching for it.

For economical installation on rural power lines the Delta-Star Electric Co. offers a new "Rural Line" switch for pole-top use. It can be mounted on either wood or steel cross-arms, may be operated by a handle from the pole base or by remote push-button control.

E. I. DUPONT DE NEMOURS & Co. now offers slide fasteners made from Pyralin, a plastic material which is supplied in a wide range of pastel shades and solid colors, and thereby permits the use of slide fasteners in connection with materials and style goods that could not use metal slide fasteners or zipper devices.

JOHNSON CORP. offers a new separator for removing water and oil from air or steam. It leads vapors through several layers of coarse-mesh screen, is advertised to withstand pressures up to 150 lb. per sq. in., permits removal of interior parts for cleaning purposes without disturbing its pipe connections.

A NEW line of metal valves, made of an austenitic ferrous alloy, has been introduced by the Lunkenheimer Co. for handling sulphuric acid, alkalis and other corrosive fluids.

Petroleum Trouble

First meeting of the interstate oil compact hears heavy firing from all sides.

LOOKING very much like a peace conference on a shell-churned battlefield, the first meeting of the Interstate (oil) Compact was called to order in Oklahoma City last week. This is the treaty which the state-rights boys promoted as a retort to federal control ideas of the Roosevelt administration.

The tableau is one to provoke loud and vulgar guffaws from Secretary Ikes, who wants rigid federal control with himself as the rigid controller. A puny thing, the compact is consecrated sentimentally to conservation of natural resources and specifically to prevention of "physical waste" with no check on prices. Gov. E. W. Marland, of Oklahoma, is chairman of the commission, with Governors James V. Allred, of Texas, and Alf Landon, of Kansas, vice-chairmen. Other ratifying states are Colorado, Illinois, New Mexico.

Then Back to the Trenches

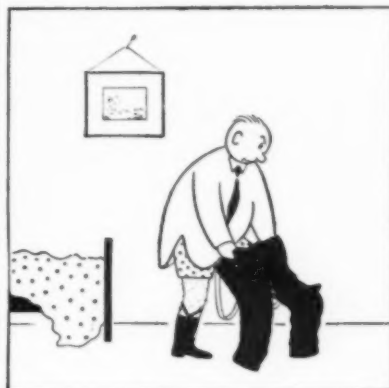
After adjourning until Oct. 11, the delegates made for the home trenches with big stuff popping all around them. Sniping at gasoline prices threatens to become general. In California (which hasn't ratified the compact) crude prices have been shot in half. In Louisiana (which hasn't ratified the compact) production from the big new Rodessa field threatens to undermine and explode large sectors of the market.

Main trouble with Rodessa is that geology refuses to sanction state lines. The producing area runs over into Texas, which is already worn to a frazzle trying to handle the boisterous East Texas field. Under the Texas railroad commission's ruling, production from each well of a new field must be held down to 150 bbl. daily. Over in Louisiana each well can draw off the oil at 1,750 bbl. daily and may be able thus to empty the Texas deposits. If the Texas commission hikes the allowable for Rodessa, East Texas operators will demand similar increases in their limits.

Alcoa Wins

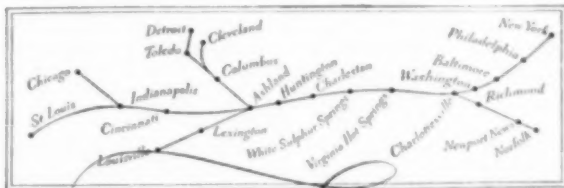
The Aluminum Company of America wins the fourth round in the historic suit charging monopolistic practices brought against it by the Baugh Machine Tool Co., Springfield, Mass. In New York the U. S. Circuit Court this week set aside a verdict against Alcoa and ordered a new trial. The opposing battalions of lawyers see promise of an industrial Jarndyce vs. Jarndyce.

Alcoa won the case in a New Haven federal court (BW—Jan 6 '34), lost when retrial was ordered on an appeal (BW—Jul 14 '34), lost again when a lower court gave Baugh the decision with damages of \$2,868,900 and \$300,000 counsel fees (BW—Mar 16 '35). The New York verdict put Baugh back where it started. The lawyers are way ahead.



THE GEORGE WASHINGTON THE SPORTSMAN • THE F. F. V.

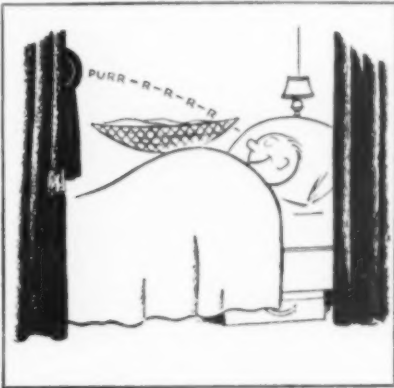
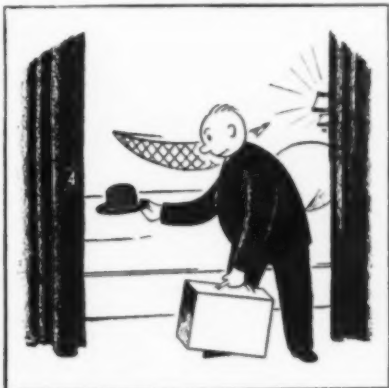
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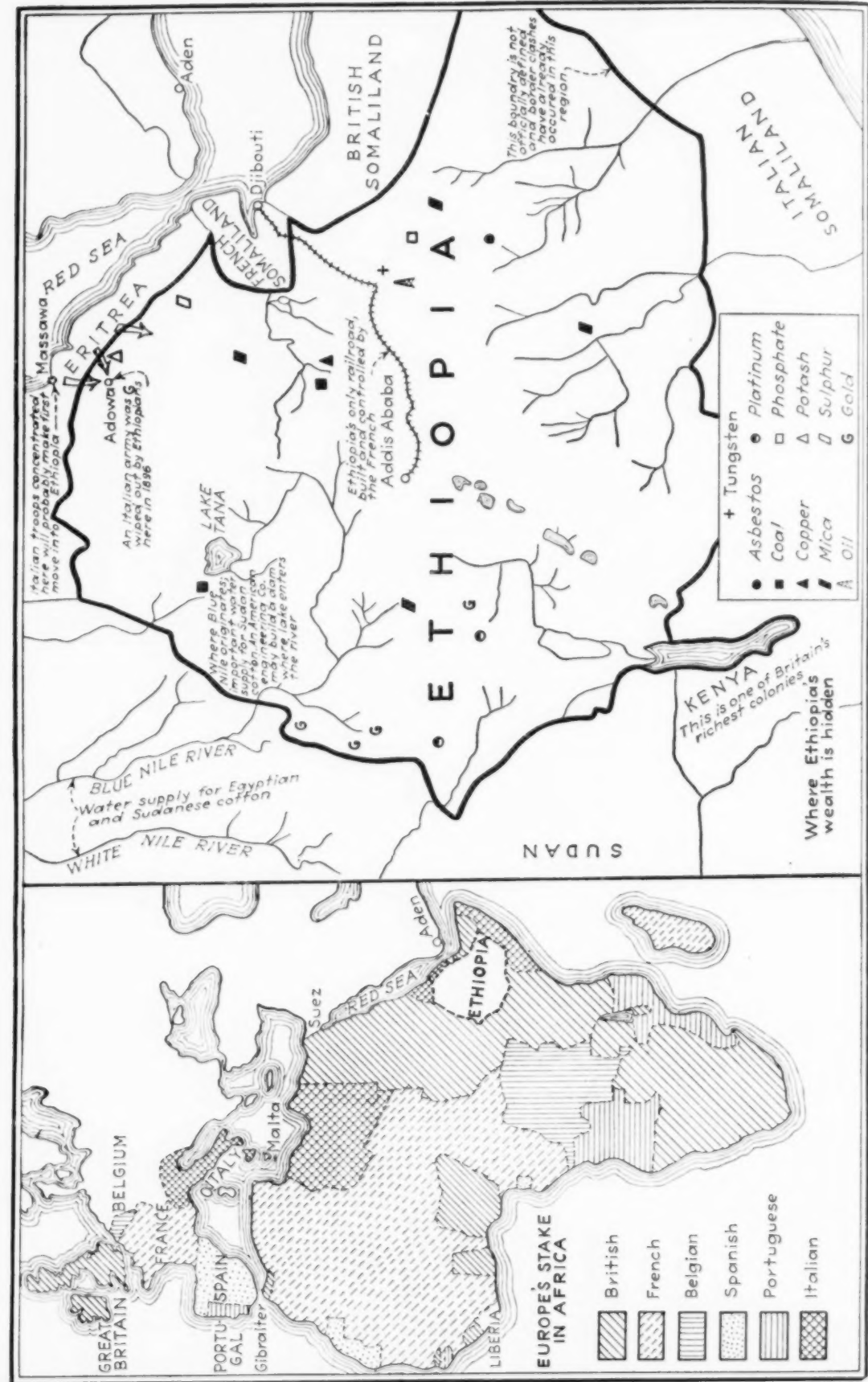


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oil, gold, iron ore, and copper. Italy is grasping for them while the rest of Europe is torn with domestic troubles. Real threat to success comes from the British who are afraid of Italy losing control of the Gibraltar-Malta-Suez-Aden route to India and the Far East. (2) Similar territorial demands from Germany, and (3) trouble from the blacks in Africa. Real showdown is expected in the next few weeks.

AFRICAN EMPIRE—Almost every great nation in Europe has its own piece of Africa where it uses cheap black labor to dig rich minerals, or grow raw materials for home factories. Germany lost its colonies during the war; Italy never got more than the leftovers—parched stretches along the Mediterranean and Red Seas, incapable of supplying Italian factories with needed raw material. Hidden away in underdeveloped Ethiopia are known supplies of

Mineral Wealth in Ethiopia

Mussolini is reported securing loans against promises of concessions to exploit Ethiopia's mineral wealth—of which a good deal is known by some governments and commercial interests.

With the crisis approaching in the Italo-Ethiopian squabble, executives and diplomats have settled down to some serious calculations over the real amount of the resources involved, and some evaluation of recent developments which have played an important part in the affair.

Loan for a promise

Surprising points of view have been brought to light. One group, for instance, thinks Secretary Hull inadvertently gave Mussolini great aid when he arranged with Standard-Vacuum officials for the abandonment of their Ethiopian concession. They reason this way. If Duce needs money badly to finance his African venture. He is confidently believed to have been using pledges of mineral rights in the territory to be subjugated as collateral for present money advances. His financial collaborators who participated in this arrangement would more than likely not have been willing to back him if their title to the promised mineral concessions was going to be clouded by British-American rights legally granted by Selassie.

There is another group which asks what good the concession could do, in Mussolini's present bellicose state of mind, unless the United States would protect it by fighting. Perhaps Washington isn't yet far enough from the old "dollar diplomacy" course to rouse much confidence that it is permanently abandoned, but away from the big cities there is bitter opposition to any move which could embroil us in the next European conflict. This group believes Hull took the only possible course.

London in the Background

Equal division of opinion exists regarding the worth of petroleum occurrences known or suspected in Ethiopia. The tale of plot and counterplot which surrounds the history of oil rights makes an amazing story almost so complicated as to be unbelievable. Apparently, Hagop Baghdassarian, an Armenian, had the most nearly defensible concessions formerly. He intended development through Anglo-American Oil Co., the British branch of Socony, and had also tried to secure cooperation with the Abyssinian Development Co., a British mineral enterprise of large importance. However, it seems clear that Baghdassarian's rights would have been waived in deference to the new Selassie concession to African Mineral & Devel-

opment Corp., of Delaware. Participation of Standard interests implies that definitely.

It is reliably alleged that interested British mineral groups were also happy to see the concession take this new form. All this is implied by the suspiciously frank statements of earlier petroleum investigators that Ethiopia has no commercially workable petroleum occurrences. Those statements probably were intended to discourage contemporary investigations by others whom the Anglo-American group would like to keep out of their way until such time as they could make practical use of their earlier inquiry. Of course, British officialdom had to cold-shoulder these British companies' direct interests in order to observe the 3-party agreement with Italy and France of 1907. But the British officials probably would have been quite willing to overlook indirect English activity in a nominally American deal.

4,000 Years of Gold

Far more certain of importance to outside interests are metal and non-metallic mineral occurrences. Gold production has been continuous since 2000 B.C., and it is suspected that modern investigators would unearth some new precious metal if thorough geologizing could be accomplished. Profitable occurrences of silver and proved deposits of platinum would also contribute to the precious metal prosperity. Platinum has a particularly interesting history in this territory. A Signor Prossio, anti-Fascist Italian, has long been profitably engaged in platinum development, but he has worked with French money and marketed his output through British commercial connections. Many such multi-nation operations are found in other phases of Ethiopian business.

Fantastic Copper

One of the most fantastic forecasts for Ethiopia is a copper deposit claimed to be of 6% ore 12 feet wide, running for miles across country. Iron, already operated by small native smelters, is known to occur. Some significant, though still experimental, shipments of tungsten have occurred. Tin, mercury, and radium are reliably reported in commercial occurrences.

Non-metallics, though important, are probably of less dollar significance. Salt, potash, sulphur, asbestos, and phosphate rock all deserve further inquiry. Of



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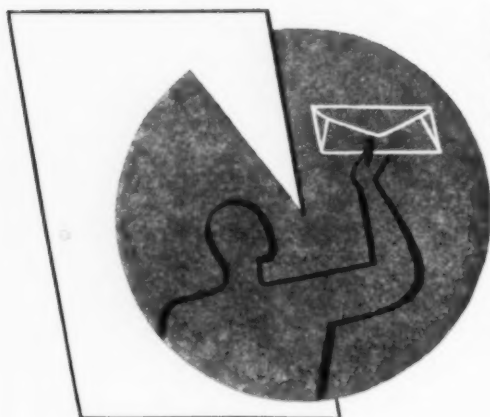
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75% NEW RAG CONTENT

this group only potash has been mined extensively, with great profit during the World War, but out of the question by old methods under present market conditions. Mica is perhaps the most important non-metallic because of the strategic military significance. Four nations have tried to get these concessions with success to a Greek unit which now operates through a United States company.

Graded Lumber Wins

Procurement division of U. S. Treasury decides purchases must bear standard marks.

ACCEPTANCE by the Procurement Division of the United States Treasury, the largest federal buying agency, of inspection and grading rules of the various lumber producers' associations marks a victory for the National Lumber Manufacturers Association, which has been pushing the grade-marking since 1922.

Henceforth all lumber bought by government agencies under the authority of Treasury's Procurement must bear the grade mark and trademark of the association under whose rules it is purchased, and also a mark locating the mill where it was manufactured.

Few persons outside the trade realize the multiplicity of types and grades necessary to classify manufactured lumber. In dealing with an unwary customer, substitution of an inferior grade was relatively easy until NLMA put over its idea of branding each stick according to a definite code.

The service is available—at a price—to all lumbermen, whether association members or not. It has achieved widespread acceptance by private customers, state and municipal agencies, and some federal branches purchasing independently. Now the Procurement Division is joining the procession.

Grade-marking is a guarantee of quality only; it has nothing to do with wages paid, hours worked, or other conditions that complicated the Lumber Code of NRA. Rather, it indicates government acquiescence in an industry-originated idea to stabilize standards of quality and to eliminate bad practices.

Door-to-Door Toothpaste

With 10-cent stores selling drug items and drug stores selling everything from 10-cent goods up to and including automobiles, distribution lines have been pretty much obliterated. Now, one more market is rubbed out with the decision of the Fuller Brush Co. to put toothpaste marketing on a house-to-house basis. Your Fuller Brush man will now be prepared to offer Fuller's Toothpaste (at 50¢ for a large tube) in addition to his traditional assortment of brushes and polishes. Fuller has offered a private brand denture cleanser for some time, now acts to put real teeth in the competition.

Wide Reading

DECENTRALIZE INDUSTRY. David Cushman Coyle. *Virginia Quarterly Review*, Summer. An engineer ascribes present-day economic chaos to top-heavy centralization of control, ownership, and geographical location in the industrial setup, and advocates decentralization as a cure for cyclic booms and depressions of capitalistic economy.

THE PUBLIC UTILITY ISSUE. Leland Olds. *Yale Review*, Summer. The executive secretary of the Power Authority of the State of New York summarizes the advantages which should follow creation of a governmental yardstick in the power industry.

TVA'S YARDSTICK FOR HOUSING. Earle S. Draper. *Architectural Forum*, September. What the "yardstick" provides for \$2,325, and for \$3,150; how it looks; how it can be utilized. For those interested in the coming construction boom.

OPPORTUNITIES IN SCHOOL MODERNIZATION. William G. Carr. *Architectural Record*, September. A survey of school conditions and prospects in future school construction.

LOW-COST PARADISE. Jonathan Mitchell. *New Republic*, Sept. 18. Where government-sponsored homestead projects are under way; how to get a home in one of them; some criticisms of the government's program.

LOCATION SURVEY. *Medical Economics*, August. A trade paper for doctors surveys the country for new openings. Fourth of a series; includes New York, North Carolina, Ohio, and Oregon.

THE RICH BEGIN TO PAY. Jonathan Daniels. *Forum*, September. "Wealth is in a box. As long as it remains there, taxes are going up. They are going up every year until the economic leadership of our business system thinks its way to a more just and more generous distribution of wealth under capitalism; to a fairer, more immediate sharing of the risks of business between money and men."

RADIO AND OUR FUTURE LIVES. Arthur VanDyck. *North American Review*, September. Offshoots of radio which are changing our way of living.

CHROMITE MINING IN THE PHILIPPINES. *Far Eastern Review* (Shanghai), July. Development of a vital mineral resource in the Philippines, and one which Japan covets.

BOOKS

THE DUPONT DYNASTY. John K. Winkler. Reynal & Hitchcock, 350 pp., \$3. The story of one of America's great families.

FREEDOM OF THE PRESS. George Seldes. Bobbs-Merrill, 380 pp., \$2.75. An indictment of the newspapers for suppression and perversion of news, which names names.

GOVERNMENT IN BUSINESS. Stuart Chase. Macmillan, 296 pp., \$2. An outline of the government's stake in business.

"I want 30 cents worth of light for 45 cents!"



That's practically what you say when you buy many a "BARGAIN" BULB

Let's see what happens when somebody sells you a "bargain" lamp bulb. Let's burn this "bargain" in an electrical laboratory beside a genuine G-E MAZDA lamp. Let's suppose we burn both lamps a thousand hours at average current costs.


Here is an expert's report:

"Assume the price of a good lamp—such as a G-E MAZDA lamp—is 15¢ and the price of the so-called 'bargain' lamp is as low as 10¢. On the basis of the same amount of light for 1000 hours, for every dollar spent to burn the good lamp it would be

necessary to spend over a dollar and a half to burn the inferior brand . . . or fifty per cent more.

"In fact there are 'bargain' lamps on the market today that you could not afford to burn even if you were given the lamps free and handed a one dollar bill with each one besides."

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Look for this mark  on every lamp you buy—for any purpose. It identifies a true bargain in light. General Electric Company, Nela Park, Cleveland, Ohio.

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PLOT OR PLEASURE—Rodriguez, Mexico's last President, and Calles (right), "iron man" in Mexico until recently, meet at a Honolulu hotel. Both are vacationing. Insiders say Calles is "done," but that Rodriguez has a chance to be politically important again.

Latin-America Goes Nationalist

Countries south of the Rio Grande are squeezing out foreign business, making way for their own industries. Mexico takes the lead.

AFTER depending for years on foreign initiative and foreign capital to develop much of their large-scale business, countries south of the Rio Grande are suddenly showing a new determination to handle it themselves.

Mexico is making rapid strides in this direction, though the country's most important industries are still in the hands of foreigners. Latest move has come in the last few weeks with the announcement from Mexico City that the government's regulations concerning both foreign and national insurance companies operating within the country have been revamped, with the obvious intention of pushing most of this business into the hands of Mexican companies.

Iron Hand on Reserves

The old insurance law specified that not more than 30% of the reserves of the company or Mexican branch could be invested in foreign securities. The new law forces the insurance authorities to invest all reserves of their Mexican business within Mexico, with one exception.

With special permission from the government, any operating company or branch is allowed to invest abroad that portion of reserves growing out of policies written for foreigners and on which premiums are paid in foreign currencies,

provided that this business never exceeds 25% of the total.

Critics in Mexico City pointed out to *Business Week* that a good many foreign companies which have been writing insurance in Mexico are likely to leave the country. Sun Life Assurance Co. (of Canada) left Mexico some time ago when the previous regulation came into effect. The company, in this case, was unable to comply with both the Canadian regulations and those for Mexico. Its business was taken over by a Mexican company, half controlled by the government and half by private investors.

A few companies may be willing to meet the new requirements, but many of them do too little business to warrant setting up the investment personnel to handle reserves under the new regulations. There is no reliable count of the number of foreign insurance companies writing policies in the various lines in Mexico, but one well-informed authority estimated that no fewer than 40 companies have written some business within the last year.

Foreign Banks Cramped

The same group points out that a similar thing has been happening to foreign banks operating in Mexico. As government regulations have been made more

rigid, small fellows have gotten out of the business. When it was decreed that deposits could not be taken from the country, other banks found it impossible to function under their home charters. The National City Bank of New York is an outstanding example of a business which has kept on and expanded under the new regulations, indicating, evidently, that the bank is still able to operate profitably under them and has sufficient confidence in the investment possibilities to continue.

Power Under Fire

Electric power companies are also being affected. Mexico City is now planning a cooperative power plant which is expected to provide power at half the rates charged now by the Canadian-owned Mexican Light & Power Co. Output is small, and it is only an experiment, but it is indicative of what may be expected elsewhere.

Another evidence of Mexico's new nationalism appeared last week when it was announced that only Mexican engineers will be employed on 3 new irrigation projects in the north, to cost nearly \$20 millions.

If Mexico is making the most remarkable strides toward self-sufficiency, other Latin American countries are not far behind. Chile has just announced that it intends to take over the local properties of the American & Foreign Power Co. Argentina is causing no end of difficulty in regulating the foreign meat packing companies which operate within the republic, and both Argentina and Brazil are building up their own textile industry to the point where only a minimum of their needs are now imported.

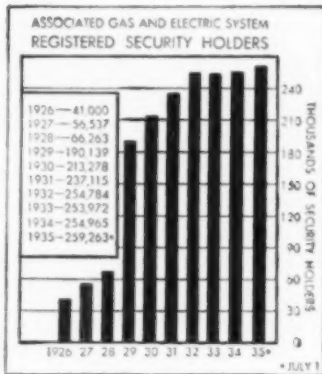
While banking, power distribution, transportation and communication facilities, and manufacturing of daily necessities may come under the national governments, their markets in most cases are not large enough to warrant the building of their own industries to supply heavy machinery and finished products. These items they will continue to buy from abroad.

Farm Land Jumps

Now worth 90% of pre-war value; rapid increase since March is due to bigger farm income.

FARM land is now worth 90% of its pre-war value. Land, for example, worth \$100 before the war, rose to \$170 in 1920, dropped to \$116 in 1929, and to \$75 in 1933, and has now risen to \$90.

The rapid increase in farm land values since March is ascribed to the favorable prospects for increased farm income this year. In 1935 the cash income of farmers, including benefit payments, will probably total \$6,700,000,-



During the first six months of 1935 the number of owners of registered securities of the Associated System grew from 254,965 to 259,263, a gain of 4,298.

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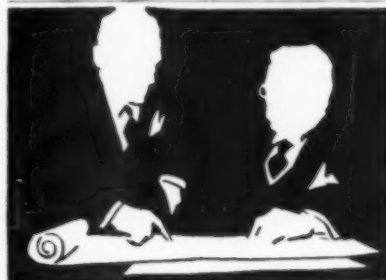


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| Investment trusts | 335 |
| Investment funds | 1,580 |
| Schools and colleges | 116 |
| Churches | 170 |
| Fraternal and benevolent organizations | 486 |
| Insurance companies | 142 |
| Fiduciaries | |
| Individuals | 5,641 |
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The great mass of all these Associated security holders are people of average means, clerks, laborers, salesmen, teachers, professional people. More than 120,000 are customers living in areas served by operating companies of the Associated System.



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Such were conditions in New York's 31-story Commerce Building, at 155 E. 44th Street, when the Cross & Brown Co., Managing Agents of the building, authorized the installation of the Webster Moderator System in the winter of 1933-34.

The Commerce Building is managed by the same firm which installed Webster Systems at 183 and 285 Madison Avenue. Substantial savings effected in these buildings were a determining factor in the closing of this modernization contract.

The new system was placed in operation on March 16, 1934. There is a total of 44,000 square feet of installed direct radiation.

From March 16 to June 1, despite the fact that the first few months with a new system are necessarily a period of adjustment, steam savings totaled 900,754 lbs., a cash saving of \$768.08.

To heat the Commerce Building for an entire season under the old system required 9,082,000 lbs. of steam.

During 1934-35, the first complete season with the Webster Moderator System, the installation gave perfectly balanced heating and used only 4,954,000 lbs. of steam. This reduction is the equivalent of \$3,651.78.

If you are interested in (1) improved heating service and (2) lower heating cost in your building, address

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000, making this the most profitable year for the farmer since 1930.

Purchase of farms is also being encouraged by the continuance of a favorable ratio between prices received by the farmer and the prices he pays. The index of prices for commodities the farmer must buy has not changed materially in a year, while there has been a decided increase in the ratio between prices received and prices paid.

In March, 1933, that ratio was 55; in June, 1934, it was 71. It advanced to 87 last February, and the August figure, just out, is 84. These favorable facts are not being overlooked by farmers or by speculators in farm land.

The Federal Land Banks, which were forced to take over 33,647 farms during the depression, sold 6,905 during the 12 months ended July 31, 1935. This is the largest number of sales made in any 12-month period in land bank history.

Not only are the banks recovering the

amounts due on these properties, but in many cases they are making a profit. It is not their policy to hold farms beyond the point where their loss can be recouped, but in some sections competition for land bids up the price.

Demand is greatest in the cotton belt. More farms were sold by the New Orleans Land Bank during the first 7 months of 1935 than in any other of the land bank districts. From Jan. 1 to Aug. 1 the New Orleans bank sold 605 farms, as against 135 during the first 7 months of 1934.

In the entire 12 districts 4,133 farms were sold up to Aug. 1, as compared to 2,093 in the same period of 1934.

There was also a brisk demand in the Northwest, particularly in the St. Paul district. Prices have increased from 10% to 25% in the past year. Some of the farms sold by the Wichita bank brought twice as much this year as comparable farms did last year.

Bennett Shows His Hand

Canada's Prime Minister runs for reelection on New Deal program of reform accomplishments, and promises.

OTTAWA (Special Correspondence)—

All the cards in Canada's hot general election are now on the table. Richard Bedford Bennett, Prime Minister and Conservative leader, was the last candidate to show his hand. It is a paradox, for Bennett is the Conservative leader but is offering the country a New Deal. He justifies his stand on the basis that Canada is determined to reform its business structure. He offers a program which he declares is far less radical than that of any other candidate.

Bennett has the most elaborate, definite platform: "New Deal" measures already put through (*BIW—Jul 16 '35*), including unemployment insurance, the 8-hour day and the 6-day week, minimum wages, "planning and control" under an Economic Council and a Federal Trade and Industry Commission, farmers' debt adjustment, a marketing act, drought area rehabilitation, national grain board with minimum wheat price, consumers' standards, a federal housing plan, super-taxes on large incomes.

New Platform Planks

To these accomplishments (though many of them are so new that the public still has no idea how effective they may be), Bennett has now added these proposals: compulsory retirement of workers at fixed age on pension; technical education of youth to replace them; minimum prices for all agricultural products; compulsory adjustment of home-owners' mortgage debts (similar to the relief offered farmers); national loan council for consolidation of

all internal public debts, and conversion of the internal public debt; more direct taxes to pay the external debt; investigation of the whole transportation situation by National Economic Council with the people to be consulted if railway amalgamation is recommended; scientific investigation of the possibility of further use of hydro-electric energy in reconstruction; maintenance of tariff protection and of the Empire trade pacts, but with a reciprocity offer to the United States.

Change in Sentiment

The campaign is in full swing now, but the outcome of the balloting on Oct. 14 remains a question mark. As recently as 3 weeks ago, the tide of sentiment was against the government—which means against Bennett. His reform program, put through in July, had not had time to take effect. Mackenzie King, on the other hand, was the outstanding opposition leader, and his Liberal program seemed to appeal more to the mass of the public than the new deal.

Recently there has been a change of sentiment. Mackenzie King's program is vague, compared with the concrete proposals of Stevens and Bennett. The Social Credit victory in Alberta indicates the popular appeal of such proposals as Stevens' credit reform, but at the same time is likely to turn many voters to Bennett, as the "safe" reformer. It will be impossible to guess the outcome with any accuracy until nearer the end of the month, when the public will have had time to digest the various programs.

Business Abroad

European tensions are increasing: Ethiopia and Memel are immediate danger points. Commodity prices rise on war buying. Germany loses tariff preference in United States by terminating trade pact. British business is nervous over war threat. Stock markets are hesitant.

THERE is no lessening of the tensions in Europe. The state of mind of nearly all countries is indicated in the frenzied buying of war materials which has pushed to new high levels the prices for copper, zinc, scrap iron, and wool. In the United States, machine tool orders from abroad jumped sharply, amounted to 57% of total orders placed last month. Though supplies are in demand, no country is laying in huge reserves. The next war, when it comes, will be quick and devastating. The country with the best military machine will strike quickly, and will win its point in a short time—or the whole thing will end in a stalemate.

Powder Kegs

Two countries are watched above all others—Italy and Germany. Danger points are Ethiopia and Memel.

Neither London nor Paris expects that Geneva will be able to satisfy Mussolini's demands, or that Italy will settle down with a few concessions and no fighting, though London is putting up a bold front in pretending that Italy must accept some such course. According to a pledge of all League members, a state of war automatically exists if one member makes an aggressive move on another while the League is still considering the case. And sanctions are automatically expected to follow. Britain is ready to apply sanctions, but France is demanding complete British backing in case of any aggressive move by Germany in return for cooperation

in the plan. Neither Paris nor London fully trusts the other. Mussolini can afford to give the League more time to consider the case. Ethiopia's not yet out of the mud. But League talks can't go on indefinitely.

The seriousness of the Memel situation has been overshadowed by the Ethiopian crisis.

Memel is a small piece of land which once belonged to Germany. It includes a port city with a population almost entirely made up of Germans. It was the scheme of the deliberators at Versailles that Memel should be given to Lithuania as a port, but that ignored the fact that the population was entirely German. While they were still deliberating outside Paris, Lithuania staged a coup, made Memel a part of the country, satisfied the tired diplomats about the "moral" issue by declaring that it could have its own administrative body organized on "democratic principles." The League was to be final arbiter in any disputes arising in the territory.

Growing nationalism in both Lithuania and Germany has caused extreme dissatisfaction in the last few years, which has come to a head in the last year in bitter and open strife. Lithuania, terrified at the determination of the Nazi organization in its only real port, has virtually set up its own dictator in the city. Germany, furious over what it calls the criminal oppression of German citizens, threatens to annex Memel—by one means or another.

An election is scheduled for Sept. 29. With an all-German population, there is little doubt who will be elected. Lithuanians declare that a German government means that it is only a short time until the territory will revert to Germany. If the League had any power, it could handle the situation readily. But the League is virtually dead, and the powers which normally would enforce Versailles are completely embroiled in their own troubles. Though the Memel election is in no way a plebiscite, it is likely to have that effect. And if Lithuania and Germany came to blows over the matter, trouble just as serious as any anticipated in the Mediterranean could develop, the same bitter jealousies are involved as in Ethiopia.

Industrial Progress in Turkey

Official sources on Turkey indicate good progress on its 5-year industrialization program, designed to make it independent of manufactured imports. Sugar refineries at Eskisehir and Tuzlukaya already supply that necessity. One textile plant at Kayseri has started production, another at Konya is near completion. A factory for merino woolen goods is to be erected at Brusa, a paper factory at Izmit, and an artificial silk plant at Guemlik. An iron industry is to be established within a year.

Germany

German-American trade agreement lapses Oct. 15. Germans watch new drive to segregate Jews. Memel becomes a focal point in European rivalries.

BERLIN (Cable)—Three items of news have held business interest in Germany this week.

Most discussed is the report (official) that Jewish business in Germany will not be disturbed when it caters only to Jewish trade. The campaign to segregate the business will continue ruthlessly. The Nazis are pledged to return the Jew to the ghetto (if he stays in Germany), and so long as the party is in power it is likely that this plan will not be changed. To the extent that this drastic move satisfies the extremists in the party, the promised moderation in other lines is likely to increase.

Most important as far as Americans are concerned is the final announcement from Washington that German products cannot enter the United States on a most-favored-nation basis after Oct. 15. There is no surprise at the report. Berlin denounced the treaty a year ago (one year's notice was required), and



OLYMPIC SHOW WAGON—With 12 heavy motor trucks which can be quickly grouped to form something like an auditorium on wheels, Germany is starting a year's drive to popularize the Olympic games to be held next year in Berlin. Films of previous games and sports newsreels will be shown.

refused consistently to discuss new proposals with Washington. At the time it seemed a way of forcing the United States to buy more goods in return for huge German purchases of Yankee raw materials. It has not worked out that way. Washington has been adamant. Germans are accused of discriminating against both American goods (through quotas) and American bond holders (through discriminatory payments to European neighbors who happened to buy more from Germany than they sold to that country). Also, the difficulty in securing exchange caused American salesmen to go after other markets. The outcome is unfortunate for both sides, because of the volume of business involved. It is one further complication growing out of the economic dislocation caused by the World War.

It should be noted that no new duties are set up against German goods. After Oct. 15, German goods simply fail to be accorded the special privileges which were granted by Washington to Belgium, Sweden, and Haiti in recent trade agreements, and which will not be extended to Germany now because the most-favored-nation agreement with Berlin is lapsing. Certain steel products and photographic materials are among the items most affected. There is already a rumor that Berlin is considering opening negotiations with Washington. The decision to meet interest payments on the Dawes and Young coupons is intended to placate American opinion and create a better atmosphere for the discussion of a new trade treaty.

Finally, the Memel controversy is attracting attention. Germany is bitter over the treatment of Germans in the territory, not more because of the number involved than because it epitomizes sentiment toward all territories lost after the war. Developments in Memel are likely to be prophetic of developments in all countries with troublesome minorities.

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down from the plateau it reached in the summer, but this seems likely. The counterbalancing factor of war sales abroad (despite an embargo on pure munitions) and of forestalling by buyers apprehensive of price changes may give a temporary uplift to the next trade figures. Internally, iron and steel, aircraft, cement, and textile industries are doing quite well, stimulated by the government's rearmament program.

War fears are strengthened by the large movement of ships and materials to possible theaters of hostilities. These are not reported in the British press, but they have reached England through foreign newspapers. It is not generally realized here that under Article XVI of the Covenant of the League of Nations any act of war by Italy against Ethiopia in the face of the League discussions makes war between Britain and Italy automatic. It is not a question of a majority vote on the Council for sanctions. The application of sanctions follows the technical state of war that automatically arises.

The League is unpopular. Without Germany, Japan, and the United States, it cannot possibly be very effective. Then, too, Laval is mistrusted. London fears that Paris will not enforce sanctions when it comes to a showdown. The nation is behind the government, but it is dissatisfied.

British financial newspapers are boosting the Wall Street boom. Volume of small investment money flowing to the United States is impossible to ascertain, but the steam is picking up volume. London "ticker banks" are winning wide patronage. Chief stim-

ulus is the uncertainty over the European situation, and the realization that with a respite from Washington interference and with the aid of Washington spending many undervalued American securities now afford promising 9-month markup.

Sears Goes Abroad

Sears International, Inc. (RII)—(Inc. 22'34) subsidiary of Sears, Roebuck & Co., has placed its first order with the parent company in the United States. It was for a shipment of Sears' Kenmore vacuum cleaners and went to Sears Ltd., financed and operated by Public capital, and organized to distribute Sears merchandise under a franchise in the United Kingdom and Ireland.

Similar arrangements have been made in Holland where the Dutch-financed and managed Amerikaansche Qualiteits-Producten, N. V. (American Quality Products, Inc.) is to distribute Sears products. Negotiations are under way for similar connections in South America, South Africa, and Australia.

In no instance is Sears to have any financial interest in the distributing concerns, although in the case of Sears Ltd., George F. Dixon, president of Sears International, Inc., will be represented on the board in an advisory capacity. Sir Archibald Michelson, Bart., is chairman of the board of Sears Ltd.

Sears, Roebuck & Co. is reported to be buying about 1½% of its requirements abroad and in its present program of establishment of foreign outlets it is not forgetting the possibility of barriers should it run up against quota limitations. Bulk of its imports comes from the countries which it is seeking to enter.



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Soviet Union

Russians plan mass production of light plane; factory workers and farmers will be taught to fly.

Moscow (Cable)—With the aim of making aviation a pastime for thousands of workers in factories and on collective farms, the Soviet Union is about to embark on large-scale production of a new light sport plane. Citizens will learn to fly through dozens of newly-organized air clubs which are to be supplied with the planes. Osoaviakhim, Soviet flying organization, is behind the scheme. Osoaviakhim boasts 13 million members in more than 100 flying clubs which have been organized in the last 2 years.

The new plane is the design of Alexander Yakovlev, one of Russia's leading aviation engineers, and was selected from a large group which competed in a 3,500-mile trial jaunt. The plane will go into mass production at once.

Russia claims now to be the most air-minded of all European countries. Only the United States, according to the Soviets, has a more extensive network of air routes and transports more passengers annually. While only 68,000 passengers were carried on Soviet airships last year, 110,000 will be carried this year. With a country sprawling over one-sixth of the earth's surface, extensive air lines here are a matter of necessity, particularly in view of the country's limited railway facilities. Soviet air lines now constitute an important link in the country's system of internal communication, and will be a vital factor in case of war.

France

Under pressure from radicals and Eastern satellites, government swings to Britain's point of view at Geneva. Business is satisfactory. Dutch situation watched.

PARIS (Wireless)—The French government is coming around to the side of Britain at the Geneva meeting because of pressure on Laval from Left Wing opposition in France. Socialists and radicals alike are opposed to the principle of fascism. French satellites in Southeastern Europe also have helped to cause the shift. The Little Entente (Czechoslovakia, Rumania, and Yugoslavia) are afraid that, with Italian forces in Africa and Rome's energies absorbed away from home, Germany and the pro-German element in Austria may attempt to force *anschluss* with the Reich. If Paris had Britain's absolute pledge of cooperation in case of German aggression, Laval's attitude at Geneva would be stiffer.

French business is unsettled by the war scare, but certain branches are increasing their activity due to war orders. The Bourse is inactive. Retail activity is holding up at new high levels; hotels report increased business, but at

lower prices which preclude any improvement yet in the profit situation.

The French ambassador in Washington has just returned to Paris with the latest American proposals for the new trade agreement which the two countries are attempting to negotiate. The government has already sent its counter proposals.

Paris is watching the Dutch financial situation closely. New demands for devaluation were expected; they come with each reassembly of parliament. But the boosting of the Dutch rediscount rate to 6% indicates the seriousness of the gold drain.

Far East

Ford refuses to meet Japan's "vital industry control" proposal. Powers may lose extraterritorial rights in Manchukuo. Infant aluminum industry wants more protection.

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Recently, an official of the Ford company in Japan issued a statement to *The Trans-Pacific*, a Tokyo magazine published weekly in English. "We can state positively that our directors have arrived at the irrevocable decision not to relinquish full control of our company under any circumstances whatsoever."

Another report from Tokyo bears out *Business Week's* contentions (*BW—Jun 8 '35*) that there is going to be little room on the Asiatic mainland opposite Japan for any but Nipponese businesses. It is said freely both in Tokyo and in Hsinking, capital of Manchukuo, that Japan is seriously considering putting an end to all extraterritoriality privileges in Manchukuo in an effort to force foreign powers to recognize the new Manchukuo government. Japan has already waived these rights, though few forget that Tokyo virtually dictates to the Manchukuo government.

Dumping Aluminum

Finally, aluminum is rounding out the nationalistic picture in Japan. With government aid, the Nipponese are attempting to build up an aluminum industry. It is an expensive process until Japan arrives at the mass production stage, and particularly so when the remaining aluminum interests in other parts of the world are closely organized to meet new competition. Faced with this problem, the Japanese producers are appealing to their government to enforce the anti-dumping law against foreign interests which, it is claimed, have approached leading Japanese consumers and offered special low prices if they will sign contracts for large amounts.

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No railroad amalgamation in Dominion unless Canadians vote for it. Short wheat crop lifts world price. Social Credit gets a loan.

OTTAWA—Canada won't resort to railway amalgamation to curb the mounting Canadian National Railway debt unless the people vote for it. With Bennett's pronouncement to this effect, the position of all party leaders is now clear. King and Stevens are against amalgamation on any terms. Bennett 5 years ago was for "competition ever, amalgamation never." Now he has ordered his "brain trust," the recently created Economic Council composed of high civil servants, to begin a survey of the whole transportation situation and says if it recommends amalgamation the people will be asked to pass on the question. That is, if he is reelected. The survey will cover highway and air transportation as competitors with railways, and also possibility of wider use of hydro-electric energy.

Gunning for Meat Packers

Gunning for the big meat packers to whom he says the Bennett government submits all its regulations affecting livestock producers, Stevens is undertaking to break their alleged control of prices to producers by fixing minimum prices. His principal campaign cry, however, is against bankers and for easier credit and cheaper money. The Canadian Trades and Labor Congress, in annual convention, has pronounced for nationalization of banks.

With Ottawa having notified Japan that this country will withdraw from the Anglo-Japanese trade treaty unless Tokyo cancels restrictions on Canadian goods, similar trouble has now developed between Canada and Belgium. Exporters in both countries complain of restrictions on their products. Discussion is taking place between the 2 countries. Canada sold \$11 millions of goods to Belgium last year, bought from Belgium barely \$3 millions.

Short Wheat Crop

The Dominion Bureau of Statistics September report places the Canadian wheat crop at 290 million bushels—15 millions more than last year, but 50% under the 1928 record. Much of prairie crop is of poor quality owing to rust. U. S. Secretary of Agriculture Henry Wallace's prediction that the United States will buy 25 million bushels during year is welcomed here.

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Money and the Markets

Easy money seems to have reached bottom. Bank loans and rates may rise. Treasury rebuffed by slowness of Fourth Liberty conversion. Governments and high-grade bonds weak. War news affects markets.

THERE is some evidence that the bottom of easy money has been seen. Although excess bank reserves in the latest reported week again reached a new high, large Eastern banks are experiencing a more active inquiry for credit accommodations.

Thus far the activity has not created any actual advance in money rates, but offerings at the low rates prevailing have largely disappeared in the 30- to 90-day class, and the implication is that an expansion of loans and possibly a later advance in rates is in prospect.

The stickiness of the Liberty Loan conversion has had something to do with the rising reluctance to accept recent minute returns for capital and with the corresponding nervousness of owners of government obligations or other high-grade, low-yield securities. In the general pattern is involved a mild recurrence of inflation discussions.

Fearful About Gold Bloc

The experience of the Holland guilder lately has been increasingly unfortunate, leading to greatly intensified fears for the stability of the whole gold bloc. Gold movement to the United States from Holland expanded sharply this week.

Simultaneously there has been a marked growth in stabilization rumors, prompted particularly by the views of Sir Arthur Salter, the highly regarded British economist, who suggested that the relationship of the dollar and the pound sterling be fixed for the time being. Although the suggestion is interesting, the present political tangle in Europe is a strong factor against exchange stabilization.

It can no longer be denied that com-

modity prices in the United States are feeling the effect of the ever increasing war threat abroad.

European quotations for copper advanced past our domestic level, forcing an advance here of $\frac{1}{8}$ ¢, with the market regaining the old Blue Eagle price for the first time since the collapse of NRA. Cotton prices were noticeably affected by strength in cotton abroad. Wheat advanced sharply in all world markets.

Treasury Rebuffed

Slowness of conversion program means much cash must be paid. High-grade bonds weak. New financing brisk. Stocks have war flurry; list passes 1931 level.

CONVERSION of 60% of the Fourth Libertys into new $1\frac{1}{2}$ % Treasury notes or $2\frac{1}{4}$ % bonds in the first two weeks was admitted by the Treasury to be less than normal, and led to the inference that the Treasury this year will have to redeem in cash more of the Libertys than it did in the similar operation last year.

The bond market has been nervous about the slowness of the exchange, and this week the *Business Week* government bond average reached the year's low. Other high-grade issues in the corporate field were sympathetic with the weakness in governments, but by no means shared the full weakness.

A new type of bond issue appeared on the market this week when an investment house offered FHA insured mortgages in blocks. The mortgages

had been bought from FHA approved institutions, and the sales were made either to other approved institutions or to outside buyers in the form of interest shares in blocks held by institutions.

The collection of mortgages covered properties in 8 states and they were sold to yield $4\frac{1}{2}$ % to 5%. The mortgages, in case of default, can fall back on FHA for guaranteed debentures.

New financing is coming through at a brisker pace. The SEC is up to the \$2-billion mark in registrations; and this week, in a single day, \$85 million in new issues were filed. Southern California Edison had the outstanding block on the market this week, underwriters offering \$57 millions in mortgage bonds and debentures.

The stock market has been having a war flurry. Issues classified as beneficiaries of war frequently led the market in advances. The remainder of the market continues to show a choppyness that is bred more by the fact that prices have gone up for 6 months with scarcely a setback than by any actually adverse news.

The market as a whole has just recently passed the corresponding price level of 1931, when prices were on the late summer downgrade.

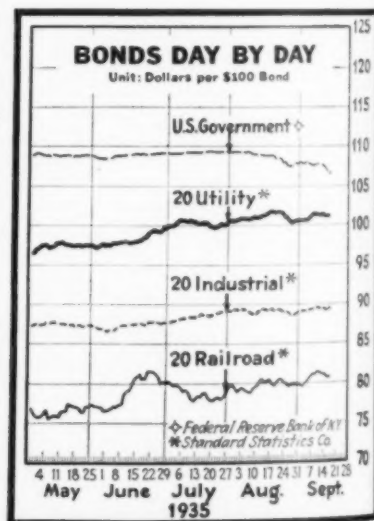
War, Wheat, Cotton

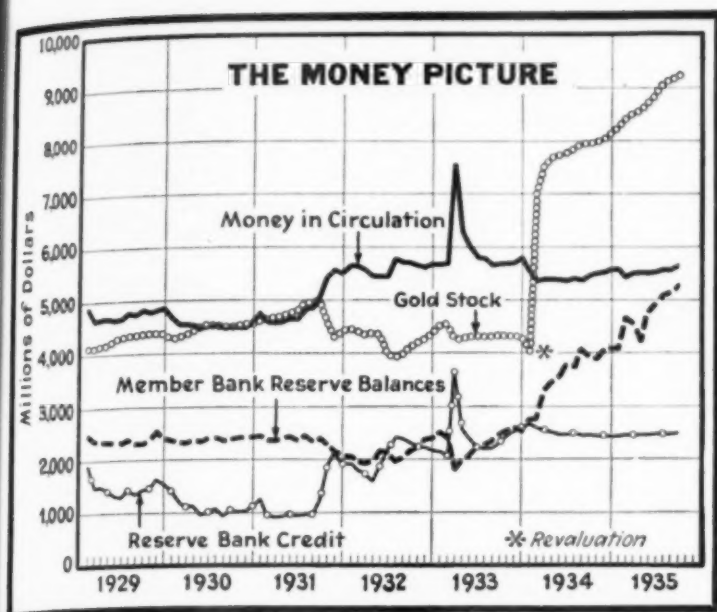
Prices affected by war scare; also by low South American production. Canadian wheat in demand. Price may rise.

THE war scare influence was well illustrated in wheat and cotton fluctuations during the week. Cotton markets both abroad and at home are sensitive to any chance that Indian and Egyptian supplies might be cut off.

In addition, the disclosure of the unexpectedly low production in Brazil made the world trade realize that American cotton will play an important part in price-making after all.

The violence in the wheat markets





Bond indentures are not easily changed, and a great number of bonds with the old gold indentures, or new issues with old indentures unchanged, are continually being traded or offered. Under strict interpretation of the ruling, business in these bonds is impossible in Illinois.

Confusion over the issue is so widespread, and the circumstances are so complicated, that a straightening out is predicted within a short time, because it is essential. Meanwhile, however, there have been very definite reverberations. For example, the offering of \$30 millions of Southern California Edison 4% first and refunding mortgage gold bonds was checked by the Attorney-General's opinion. Underwriters were permitted to sell the \$27 millions of this company's debentures, which were a part of the same offering, but the mortgage bonds, with the old gold indenture, were barred.

Eccles to Stay

Roosevelt announces present governor will be chairman of new Reserve Board. Washington wonders about other members.

WASHINGTON is thinking about the personnel of the new Federal Reserve Board to be selected under the banking act of 1935, although it is not expected that any appointments will be sent to the Senate until late January.

The temper and character of the new board will be of more importance to American banking than it has ever been, and the tentative outline of general policies may be found in the names likely to appear when appointments are made.

New names suggested by those in Washington who are keeping tab on the trend of events include the following: Prof. John H. Williams of Harvard University, who is part-time economist of the New York Federal Reserve; Lewis B. Williams of Cleveland, former Federal Reserve agent in the Cleveland district; J. A. Broderick, New York state bank examiner; Lynn Tally, former governor of the Reserve Bank at Dallas; William H. Pouch, president of Concrete Steel and chairman of the New York Reserve District committee that approves loans to industry; and James H. Perkins, president of the National City Bank of New York.

Chairmanship of the new board of governors was decided this week when President Roosevelt announced informally that he would appoint Marriner S. Eccles, who is governor of the present board, thus giving the new board a liberal slant to start off with. Eccles may not be regarded as already in the job, however, as Senate opposition to him is substantial.

Another of the present board members slated for reappointment is M. S. Szymczak, who will probably receive one of the longer terms. C. S. Hamlin, Adolph C. Miller, and George R. James are likely to leave the board, and J. J. Thomas is considered doubtful.

was almost amusing. Argentina suddenly discovered not only that war clouds threatened but also that the 1934-35 crop had been overestimated, the exportable surplus consequently also overestimated, and the new crop, to be harvested beginning in December, would yield practically no wheat for export—a dismaying condition for the Argentine, which in recent years has played the chief part in world import markets.

Up Goes Canada

With Argentina reduced to a mere speck as a world supply factor, Canada is raised to the driver's seat. Practically admitting this, Europe bought Canadian wheat heavily this week. As a result, American millers are nervous about potential price advances in Canada, because they will have to buy a good many million bushels of Canadian wheat between now and next July, and serious price increases in Canada would have a prompt effect here.

Baking companies in the United States have already begun to warn housewives that the price of bread and flour must soon advance. This outlook is pretty obvious because of the shortage of hard wheat, the fact that AAA will not, or cannot, adjust the processing tax to the lighter weight of this year's spring wheat, which requires more bushels to make a barrel of flour, and the prospect that a good bit of wheat will have to come in from Canada with a 42¢ duty on it.

FDIC Accepted

Few non-members of Federal Reserve withdraw from permanent deposit insurance system.

With expiration this week of the official period for notification of withdrawal, the national banks and Federal Reserve member banks of the country

became participants in the new permanent insurance system of FDIC set up by the banking act of 1935.

It is estimated that 7,500 state banks, not members of the Federal Reserve, are eligible for withdrawal. Others may withdraw also, but by so doing would lose Reserve memberships and national bank privileges.

So far there has been no substantial attempt to dodge FDIC. If, in the final tabulation, more than 1% of the non-member state banks choose to stay out, the banking trade will be surprised.

In Connecticut the wealthy Hartford-Connecticut Trust Co. of Hartford decided to withdraw from the temporary FDIC without going into the permanent plan. Many big national and Reserve member banks wish they had a chance to do the same thing.

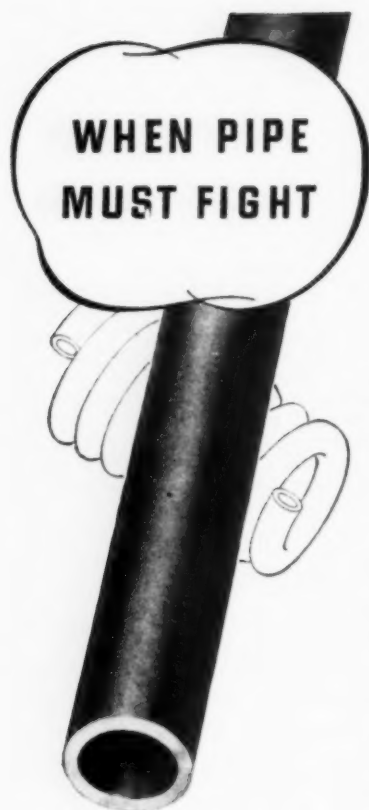
Moderate-sized banks do not, since it is the big banks that carry the assessment load and receive little of the potential benefit. New York City banks will pay about one-fifth of the entire assessments, and 100 of the country's largest banks will pay more than half.

Gold Clause Mixup

Confusion produced by ruling of Illinois attorney-general barring bonds that promise gold.

THE state of Illinois threw a monkey-wrench into the investment works this week. Recently the Illinois attorney-general ruled that "gold clause" bonds could not be sold in that state since the Illinois securities law provides that the word "gold" cannot be contained in either bond indentures or advertising if the security is not actually redeemable or payable in gold.

The ruling set bond people to scratching their heads and brought a substantial amount of business to a sudden halt.



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Exchange Setback

Wall Street is disturbed by Berle's charge that there has been underground work on subway stock.

WHEN New York City traction securities staged a modest price boom on the New York Stock Exchange last week, A. A. Berle, Jr., one-time Brain Trustster, now city chamberlain and Mayor LaGuardia's traction adviser who is negotiating for the purchases of subways for the city, blew up. Prices were getting higher than he thought they should and he said so, adding for emphasis the charge that the rise was manipulated, the city had no intention of paying such prices, and he was going to ask the SEC to look into the matter.

Prices promptly dropped 8 and 9 points, the Stock Exchange business conduct committee swung into action, and Interborough Rapid Transit security holders wondered whether the chamberlain really meant what he said, or was just using a roundabout method of telling them not to expect too much.

The Stock Exchange was surprised, to put it mildly, by Berle's broadside, particularly since it went right to the newspapers, where Exchange officials first learned of the complaint. Market observers pointed out that traction securities had been more or less following the general market trend. Officials thought Berle might have made the complaint to headquarters first, since he is a member of the Stock Exchange Advisory Council. SEC said nothing, although it has tapereaders and a ticker and is supposed to catch just such market rigging as Berle charged.

The Exchange is upset about the whole thing. Ever since the administration of the famous market was put into the hands of President Charles R. Gay, public relations have been comparatively sweet and serene, and cooperation with the watchdog SEC has been way above expectations. If the New York traction stocks have been under subversive influence, as Berle charges, it will be the first setback the Exchange has had in a long time.

The business conduct committee conducting the investigation will report directly to the SEC on the rapid transit matter. If there has been monkey business, somebody will be on the SEC or Stock Exchange carpets, or both.

Business Census

New survey to round out data on depression effects.

It won't be long now before an avalanche of questionnaires begins descending upon the country's wholesale and retail establishments, business services,

construction and real estate concerns, banking, finance and insurance houses, professionals, transportation and communication organizations. Secretary Roper has just gotten hands on \$8,000,000 from WPA headquarters with which to employ 35,000 persons for a 1935 federal census in these lines, covering number of operating units, employment, payrolls, receipts, and other pertinent information.

Earlier Figures

Manufacturing concerns are accustomed to the biennial survey of their activities which provides our most comprehensive insight of business conditions. Wholesale and retail establishments have submitted 2 reports, one for 1929 and one for 1933.

Returns from the second mid-decennial census of agriculture taken in January, 1935, are now being tabulated, giving an up-to-date slant on changes in farm conditions during the last critical years. With this latest batch of questionnaires, a complete picture of depression gains and losses in all major fields of activity will be available for use of future economic planners, marketing experts, advertisers, and whatnots. Mr. Roper is said to be particularly interested in checking up on the charge that the middleman's margin has been widening in recent years.

Diesel Cuts Time

Trial trip, Chicago to Coast, indicates half a day can be lopped off *The Chief's* time.

THE Sante Fe Railway tried out its new diesel electric engine on a 4,500-mile round trip between Chicago and the Pacific Coast this week, and the results convinced officials that half a day can be lopped from the present 53-hour, 45-minute schedule of *The Chief* between Chicago and Los Angeles, under existing track conditions.

To make sure, 1,500 men have been put to work straightening curves, reducing grades, and improving the roadbed for faster runs. A round trip on the new basis will be made shortly.

The new diesel, on a run of *The Chief* between Kansas City and Chicago, cut 2 hours and 18 minutes off its present 10-hour, 45-minute schedule without attempting to set any speed records.

This showing climaxed the preliminary test run to the Pacific Coast, on which it hauled 9 heavy standard passenger and baggage cars, weighing more than 720 tons.

A top speed of 111 miles an hour on the westbound trip was reached near Goffs, Calif., and eastbound it traveled 110 miles an hour for 2 miles between Flagstaff and Winslow, Ariz.

Editorially Speaking—

THAT fellow who's offering to sell titles of nobility, at prices ranging from \$200,000 to a million, made a preposterous mistake in supposing that one of the Candler's of Atlanta would bite at his bait. The Candler's are the Coca-Cola Kings, and even their in-laws are wiser in Atlanta.

THE next time you read what a superman Stalin or Hitler or Mussolini is, just think of Huey Long. He was abler than any of them. The rise of such fellows is usually attributed to a prodigious will-power, and most of them try to corroborate this buncombe by cultivating a ham actor's glare and scowl. But in truth a dictator needs no more will-power than any other ambitious and incompetent executive. What gets him to the top is a different set of factors. One, the most important, is luck. Another is complete unscrupulousness. The third is political brains.

Luck you have or you haven't, and there's nothing you can do about it. Unscrupulousness is pretty common among ambitious politicians in a restless era. And political brains is what Huey Long possessed in abundance—far more than Hitler or Stalin or Mussolini. He knew a lot about many subjects, and in a pinch he could read fast and remember what he read. And he could think faster than any of the European dictators. He was resourceful and under conditions similar to theirs he would have run rings around any of them.

But he wasn't a heaven-sent answer to a nation's problems. And neither are they. That's the moral. They're all wily fellows, in no way superior to a lot of home-grown American talent.

Public Management, the magazine of the International City Managers' Association, tells of an Illinois police chief who's had that job for 43 years, a Virginian who's been mayor of his city 44 years, and a steady, dependable fellow in Massachusetts who has superintended the local waterworks for 61 years. Wars and their inevitable results—depressions—have come and gone, but Old Reliable still keeps drawing his pay on the dot.

The biggest joke of the year is the strike of the employees of Consumers' Research. For years Consumers' Research has been flaunting its liberalism. Its business has been to point out the nefariousness of the makers and sellers of goods, but it has also shed a few tears for oppressed labor. And yet when its own technicians and office employees organize a union, what happens? The union leaders are fired. And then the

union strikes, and the liberal employer gets an injunction and sets the constabulary on the strikers.

THE Women's National Radio Committee claims it represents 10 million women. Actually it has received the formal support of many women's organizations with a total membership that may be 10 million or may be less, but in any case is largely overlapping, so that a member of half a dozen organizations is counted half a dozen times. And most of the millions of members know only vaguely, if at all, about the radio committee that's supposed to represent them.

It's all right to say that 10 million women are solidly against rape or in favor of milk for babies, but when it's asserted that the 10 million are sworn foes of Lady Esther, or that they unanimously dote on Burns and Allen, then it's time to tell the committee to get off its high claiming horse and come down to earth.

PRESIDENT CARDENAS of Mexico has issued a decree proclaiming that all church buildings belong to the government—meaning the clique that rules Mexico. At what exact moment the government acquired a moral title to these properties isn't explained. It's a notable fact that most of the leaders of the war against the churches are men who've become immensely rich in a very few years.

FROM our Washington office: "While President Roosevelt fully expects to find some way to rehabilitate the NRA, just at present he is looking for a martyr who will dismiss the bulk of the 3,000 persons still on the NRA payroll."

Well, it all depends, Mr. President. What salary are you offering for a martyr?

THERE'S a revealing bit of political information in the September issue of *Food Industries*. Dr. L. V. Burton, its editor, has compiled an immense sum of facts about the food distributed by the Federal Emergency Relief Administration. One item is 1,035,000 gallons of syrup. That's the stuff to feed the voters—especially when election time draws near.

"WE have believed," says Oliver Stanley, British Minister of Education, "that if there should arise a man or a nation who was prepared to glorify war and plunge us into its horrors, the glare of public opinion throughout the world would be enough to check that ambition."

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SEPTEMBER 21, 1935

Utilities and the Public

The Edison Electric Institute, acting for a majority of the electrical utilities of the country, has undertaken to test the constitutionality of every enactment of the New Deal which impinges directly upon the industry. It has hired a corps of the ablest constitutional lawyers to conduct various divisions of the litigation.

This Administration has definitely even though equivocally committed itself to the doctrine of public ownership. Men who have spent their lives promoting that doctrine have been appointed to the various commissions which will administer new laws for the regulation and liquidation of the utilities. It is but a short step from public ownership of utilities to that of mines, forests, oil wells, and general industry. In fighting this tendency the Edison Institute is serving every security-owner and taxpayer in the country.

There is every reason to believe that much of this legislation will be vitiated by the Supreme Court. It is also quite probable that before the Wheeler-Rayburn Act becomes fully effective a more constructive Congress may be prepared to amend or repeal the worst of the New Deal legislation. But well-managed utilities do not intend to wait for either the Supreme Court or Congress to speak before taking positive steps to improve their position in public esteem and give security to their business future.

There is uncontrovertible evidence of unconscionable exploitation on the part of some public utility companies. These acts were exceptional and in no way characteristic of the industry. Merited punishment does not necessitate the destruction of public service and public investments. Ample legislation for preventing a repetition of such abuses was provided before the Wheeler-Rayburn Act was passed at the last session.

Our industrial progress in the last seventy-five years rests largely on the advancement of the utility industries. They have given us service which for excellence and cheapness is the envy of the civilized world. In the electrical industry particularly, most companies have striven for lower rates in their own interest. The cost of utility service has constantly declined at a time when the prices of most goods and services have been rising.

Utilities are planning a concentrated effort to recapture public confidence. The first step will be toward lower rates, which will be brought about by an increase in the volume of business through a great national campaign to increase the use of gas and electricity.

The next important step is the improvement of public relations, which means largely the humanization of contacts. This involves not only better relations with employees, consumers, and stockholders but also immediate improvement in trade relations with manufacturers, contractors, jobbers, and dealers. This work can be and should be carried on diligently and openly. The most ardent demagogue can find nothing to criticize in such a campaign wisely directed.

Public attitude towards corporations and wealth moves in definite cycles. The last low point was reached in the early days of another Roosevelt. The last high point was touched about 1927. The downward curve since has been more precipitate and apparently has ended sooner than ever before.

The utilities led the way and did a magnificent job in their last coordinated effort to develop public good will. The effects of that effort were almost destroyed by the blundering of a few over-zealous or panicky leaders. The latest effort of the industry to recapture good will seems to have sound leadership. It may well show the way to all industry in doing a job that is essential to the restoration of American business on a sound basis.

Less Information For the Investor

John J. Burns, chief counsel of the Securities and Exchange Commission, spoke recently before the Financial Advertisers Association. Financial Advertising has been reduced to a

mere announcement of the new issue, accompanied by an offer to provide a full (and practically unreadable) prospectus. This is because advertisers are afraid of omitting a bit of significant information and thus, under the securities law, making themselves liable to suits by investors.

Ridiculing these fears, Mr. Burns says the commission will be satisfied with an advertisement if it honestly and reasonably tells the essentials. For instance, "if the investor's money is to go toward the acquisition of patents," he ought to be told so. But suppose the need for buying a patent doesn't arise till later, and then it is bought with part of the money received from the issue. In case of loss, can the investor bring a successful suit, charging false representation? This is the question that worries issuing corporations and underwriting houses. The net result is that the new law causes the investor to get less information instead of more.

Conservation— But What of Taxes?

Mr. Roosevelt says the CCC camps are permanent. "There is enough work in sight" in New York State alone, he believes, to keep 300,000 men busy during the next generation. Possibly; but should the federal government pay the cost? Aside from its incidental military value, and from its work in national forests, the CCC is mainly doing work that should properly be done by the states.

Much of the federal conservation task can be accomplished at little cost. The federal government can stop the pollution of navigable streams; not many employees will be required for this. The butchering of forests can be stopped by the states, through tax exemption of growing trees, and imposition of a tax when trees are cut.

Conservation is a splendid work, rich in social and economic returns. And the CCC is a fine venture, giving young men a chance for self-respecting, healthy work in place of the dole. But if continued, the CCC should mainly work in the national parks and forests. It should not do state chores at the expense of the federal taxpayer.

Published weekly by McGraw-Hill Publishing Company, Inc., 330 West 42nd St., New York. Tel. MEdallion 3-0700. Price 20¢. Subscription: \$5.00 a year, \$10 for three years. U. S. A. and possessions. Foreign 30 shillings. Cable code, McGrawhill

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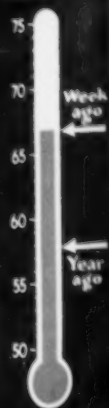
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